

## **Introduction**

The Bureau of Internal Audit (BIA) was established in September of 1994 upon recommendation of the State Superintendent and approval of the Board of Elementary and Secondary Education. This establishment was in response to the desire of BESE and the State Superintendent to have a viable independent internal audit function reporting to BESE and the Superintendent.

## **Role of Organization**

The role and responsibilities are to be recommended by the Superintendent and approved by the board. The director of internal audit shall be under the administration and supervision of the State Superintendent of Education but shall have dual reporting responsibility to BESE and the State Superintendent. The director of Internal Audit has functional responsibility for all external audit programs within the department. The BIA shall be housed within the State Department of Education.

- \* The BIA director functionally reports to the Superintendent and BESE.

## **Professional Standards**

The BIA shall govern itself by adherence to the following professional standards:

- “Standards for the Professional Practice of Internal Auditing”, promulgated by the Institute of Internal Auditors.
- Its own operating and/or procedures manual(s).

## **Authority**

All activities of the Department are subject to review by the BIA. These include the Department’s state, federal and self-generated programs. Authority is granted for full, free, and unrestricted access to any and all of the Department’s records, physical properties, and personnel relevant to any function under review. All Departments of Education employees are instructed to assist the bureau in its function. No employee of the Department should interfere with the bureau’s employees while fulfilling their responsibilities. The BIA shall have free and unrestricted access to the BESE, the Superintendent of Education, and all cabinet members.

Documents and information given to bureau employees during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them. The confidential nature of any such information will be maintained as required by

law.

## **Independence**

All activities of the BIA shall remain free of influence from any employee or element in the Department in order to permit maintenance of an independent mental attitude necessary in rendering objective reports. This independence will include matters of audit scope, procedures, frequency, timing, or report content.

The bureau shall have no direct operational responsibility or authority over any of the activities it may review or audit. Additionally, it shall not develop or install systems of procedures, prepare records, or engage in any other activity which would normally be audited.

Bureau employees are expected to maintain an independence in attitudes and beliefs sufficient to allow them to perform their duties in an impartial and objective manner. In addition, they should remain free of any personal or external impairments to their independence.

The bureau's organizational independence is established by its direct dual-reporting authority to the BESE and the Superintendent of Education. The BIA will also consult with and make recommendations to Department management in audit related areas.

## **Scope**

The BIA shall develop an annual audit plan or work schedule that shall be approved by BESE prior to each fiscal year.

The scope of the BIA encompasses the examination and evaluation of the adequacy and effectiveness of the Department's internal control structure as well as quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. While the internal control structure is the responsibility of the Department's management, the bureau is responsible for evaluating its adequacy and effectiveness and recommending necessary improvements. In addition, the bureau will determine whether the department's programs have operated in compliance with applicable, state and federal laws and regulations. Responses or corrections to be made in regard to internal or external audit findings are the responsibilities of the SDE management not BIA

The bureau's scope includes, but is not limited to:

1. Assessing risk and developing audit objectives, priorities, and procedures that will ensure an effective internal control structure.
2. Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the Department has complied with such.

3. Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
4. Reviewing and evaluating the economy, efficiency, and effectiveness with which resources are employed.
5. Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
6. Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
7. Reviewing specific operations at the request of the BESE or the Superintendent.
8. Making recommendations to the Superintendent and the Board in regard to vacant personnel positions with the BIA
9. Other project or activities as assigned by the Superintendent of Education or the BESE Board.

The purpose of an audit recommendation made by the BIA is to identify and recommend solutions for internal control structure weaknesses, noncompliance with law or regulations, inappropriate or inefficient operations, etc., as well as provide adequate follow-up to ensure corrective action has been taken.

The bureau's annual budget, audit plan or work schedule, and the organizational structure are to be reviewed by the Superintendent and the Audit Review Committee of the BESE, or as required by law, to ensure the working adequacy and effectiveness of the bureau. The audit plan is to be developed based on relevant risk factors and priorities of upper management.

The Director of Internal Audit, or designee, will attend all BESE Finance/Audit Review Committee meetings and other BESE Committee or Board meetings, as necessary. The Director of Internal Audit will attend such Department cabinet meetings as may be directed by the Superintendent and bring attention to all matters appropriate for review.

## **Reporting**

A written report will be prepared and issued by the Bureau of Internal Audit following the conclusion of each audit. The report should be given to the board as soon as staff can adequately prepare a response but in no instance should the delay exceed 60 days following the receipt of the written audit findings. The report will be distributed simultaneously to the members of the BESE and the Superintendent. It will be distributed to other officials as required by law or as appropriate.

The report will normally include management's response and the corrective action

taken or to be taken in regard to the specific findings and recommendations. The response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.

For cases in which a response is not included in the report, management of the appropriate area shall respond, in writing, within thirty days of publication to the Director of Internal Audit. The director will be responsible for disseminating management's response to those on the distribution list.

The director of BIA shall report in writing on a monthly basis to apprise the board of the post monthly activities and plans for future activities.

The bureau shall be responsible for appropriate internal follow-up on audit findings and recommendations.

### **Resolution of Management Non-Concurrence with Bureau of Internal Audit Report Findings**

It is anticipated differences of opinion will arise between department management and the BIA related to issues reported by the BIA in audit report findings. At its September 1996 meeting, the following process was adopted by the BESE to address these differences of opinion/issues:

1. The audit report is prepared, issued, and distributed by the BIA as per the normal process for distributing audit reports
2. The BESE members and the Audit Review Committee receive the audit report.
3. Upon reviewing the report, the Chairperson of the Finance Audit Review Committee recommends unresolved issues be referred to the Superintendent of Education for resolution.
4. The Superintendent meets with the management and the Bureau of Internal Audit to discuss the basis/reasons for disagreement and review any pertinent documents.
5. At the next Audit Review Committee meeting, the Superintendent submits for BESE approval a report of the recommendation(s) regarding resolution for each disputed issue(s).
6. Upon BESE approval, the Superintendent, or designee, acts to implement the approved recommendation(s) for resolution.
7. Unresolved issues are placed in a pending status until resolution occurs.

### **Relationship to External Auditors**

External auditors perform audits of state and local government organizations, programs, activities, and functions receiving government assistance as mandated by the Federal Single Audit Act of 1984, as amended, and Office of Management and Budget (OMB) Circulars.

The Single Audit Act and OMB Circular A-133 govern the audits of institutions of higher

education and other nonprofit organizations. State Legislative Act 503, Federal Regulation 7CFR, Part 226, along with Circular A-133 provide for program special audits.

The Department employs program specific auditors for the purpose of conducting audits in accordance with program regulations. The Single Audit of the department is the responsibility of the Office of the Legislative Auditor.

### **Cognizant Agency Responsibilities**

By agreement with the U.S. Department of Education, the Department of Education has been appointed the cognizant agency in the State of Louisiana for Single Audits of the local school boards. The BIA has been given the responsibility to perform the cognizant agency functions for the department.

The BIA's duties in this area include, but are not necessarily limited to, the following:

1. Foster timely performance of audits and submission of audit reports.
2. Maintain a system for tracking and processing audit reports in accordance with appropriate laws, regulations, and /or guidelines.
3. Monitor audit findings noted in reports.
4. Follow-up unresolved audit findings.
5. Distribute reports or letters to appropriate funding programs and officials in accordance with appropriate laws, regulations, and/or guidelines.
6. Perform desk reviews of audit reports in accordance with appropriate laws, regulations, and/or guidelines.
7. Provide technical advice and liaison to external auditors, as necessary.
8. Perform reviews of auditors' work quality as time and resources permit.

### **Other Single Audits and Program Specific Audits Related to Department Federal Programs**

To assist other department federal programs in meeting audit resolution requirements, the BIA will perform the following:

1. Implement and maintain an agency-wide system for tracking and processing audit reports in accordance with appropriate laws, regulations, and/or guidelines.
2. Collect and control audit reports related to the department.
3. Review reports and identify and assign findings for resolution to the appropriate offices or bureaus.
4. Monitor and ensure resolution of all audit findings noted in reports.
5. Distribute reports or letters to appropriate funding programs and officials in accordance with appropriate laws, regulations, and/or guidelines.
6. Follow-up unresolved audit findings.

## **Irregularities, Illegal Acts and Other Noncompliance**

The responsibilities of the BIA for these areas are clearly defined in the professional standards, previously mentioned in this document. The professional standards, which will govern the operation of this bureau, do not expect or mandate that auditors assume responsibility for detection or prevention of irregularities, illegal acts, or other noncompliance.

All employees of the BIA will be expected to adhere to the professional standards. This will provide reasonable assurance of detecting irregularities, illegal acts, or other noncompliance which are material to the financial statements of the department.

## **Management Requests**

The BIA is expected to be a constructive service engaging in activities which will be of measurable benefit to BESE and the Department of Education. Consequently, sufficient flexibility is to be maintained to be responsive to management requests for service that are consistent with the objectives and priorities of the BIA and the Department. All policy and procedures enacted that are in conflict with the operation and scope of the office of BIA are herewith rescinded.

Approved this 22nd day of June, 2000.

*//Signed copy on file in the Director of Internal Audit's office.*

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Glenny Lee Buquet, President  
Louisiana State Board of Elementary and Secondary Education

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Cecil J. Picard  
State Superintendent of Education

*//Signed copy on file in the Director of Internal Audit's office.*

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Dr. James Stafford  
Chairman, Finance/Audit Review Committee  
Louisiana State Board of Elementary and Secondary Education