

# **APPENDIX J**

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## **Louisiana Division of Administration Internal Audit Plan for Fiscal Year 2016**

### **State of Louisiana Certification Checklist**

Prepared by  
Louisiana Office of Community Development/Disaster Recovery Unit

# Division of Administration

## Internal Audit Plan Fiscal Year 2016

Project No. 16-Audit Plan-002



Division of Administration  
Internal Audit



Stafford Olivia Palmieri  
Commissioner

Marsha V. Guedry, CPA  
Internal Audit Administrator

December 16, 2015

# Division of Administration

## Internal Audit Plan (NON-IT)

Fiscal Year 2016

Reviewed By:

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## **Background Information**

The Division of Administration (DOA) is the state's central management, administration, and support agency. It is headed by the Commissioner of Administration who is appointed by the Governor. For fiscal year 2016, the DOA has a budget of over \$2.5 billion and has over 1,900 employees within its various agencies and sections. Direct federal funds received during fiscal year 2015 total approximately \$346 million. The majority of these funds are from the U.S. Department of Housing and Urban Development for the Office of Community Development's Disaster Recovery Unit (OCD/DRU). Additional federal funds totaling approximately \$66 million are funds received indirectly from U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) through the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP).

DOA is divided into 23 individual sections or agencies that operate as individual control environments. Some of these agencies and sections are further divided into smaller units.

The DOA Internal Audit Section is charged with establishing an overall audit strategy for determining the DOA agencies, sections, and functions that are of higher risk and have a need for internal audit resources each fiscal year. The DOA Internal Audit Section applies professional standards and guidelines developed by the Institute of Internal Auditors (IIA) in developing the Internal Audit Plan. These standards and guidelines recognize that an audit plan and timeline benefit the DOA by:

- Establishing what sections, programs, agencies, contracts, or other areas will be prioritized for audit on an annual basis
- Permitting an efficient allocation of limited internal audit resources
- Providing a flexible basis for managing audit personnel
- Eliminating the potential for overlapping audits with other audit organizations

## **Principles for Developing the Internal Audit Plan**

An audit plan should provide practical guidance and an authoritative framework for determining where internal audit resources should be focused. The following basic principles were considered in developing the fiscal year 2016 Internal Audit Plan for DOA agencies and sections:

- Consideration was given to the audit interests, responsibilities, and concerns of management in fulfilling their roles within DOA.
- Audit resources are limited and therefore prohibit auditing one hundred percent of all areas of risk each year.
- The audit plan will function as a flexible and dynamic tool which can be adjusted throughout the year to meet the changing risks and priorities of the DOA.
- The audit plan gives consideration of work accomplished by other auditors.
- The audit plan is created with the understanding that there are inherent risks and limitations with any method or system of prioritizing audits. As a result, the risk factors which

comprise an audit plan will be periodically evaluated and modified when necessary, in order to improve the audit process.

### **Procedures for Developing the Internal Audit Plan for DOA**

1. We determined that DOA's Internal Audit Section will provide coverage to the following individual agencies or sections:

- Office of Aircraft Services
- Office of Facility Planning and Control (FP&C)
- Louisiana Federal Property Assistance Agency (LFPAA)
- Louisiana Property Assistance Agency (LPAA)
- Office of Community Development, Non Disaster Community Development Block Grant (OCD/CDBG)
- Office of Community Development, Disaster Recovery Unit (OCD/DRU)
- Office of Community Development, Louisiana Government Assistance Program (OCD/LGAP)
- Office of Elderly Affairs (OEA)
- Office of Finance and Support Services (OFSS)
- Office of Group Benefits (OGB)
- Office of General Counsel (OGC)
- Office of State Human Capital Management (OSHCM)
- Office of Planning and Budget (OPB)
- Office of Risk Management (ORM)
- Office of State Buildings (OSB)
- Office of State Lands (OSL)
- Office of State Procurement (OSP)
- Office of State Travel
- Office of State Register (OSR)
- Office of Statewide Reporting and Accounting Policy (OSRAP)
- Office of State Uniform Payroll (OSUP)
- Office of Resource Management and Assistance (ORMA)

In addition to these 22 DOA agencies and sections, the Office of Technology Services (OTS) comprises DOA's Information Technology (IT) function. This agency is included in a separate audit plan specifically related to the IT function.

There are a total of 23 agencies and sections covered by DOA's Internal Audit Section.

Division of Administration  
 Overall Internal Audit Plan  
 Fiscal Year 2016

2. Risk is a concern about the probable effects of an uncertain environment. A risk assessment is the identification, measurement, and prioritization of risks. Management uses controls to mitigate some risks, but risks cannot be eliminated entirely. A risk assessment was used to identify, measure, and prioritize risks so that audit efforts can be directed to the areas within the DOA showing the greatest concern.
3. In an effort to evaluate risk and identify what sections within the DOA would benefit from an audit by the Internal Audit Section, we asked each section or agency head to complete a risk assessment questionnaire. The results of the questionnaires were used to help determine where audit resources should be focused in fiscal year 2016. In addition, this risk assessment instrument identifies where internal controls may need to be strengthened and where operations within the DOA may need to become more efficient.
4. The questionnaire was divided into nine distinct areas and included several questions under each area. Each area was assigned a particular weight factor. The weight factors are reviewed each year and are based on auditor judgment and consideration of the importance of each area as it relates to risk. The weight factors for fiscal year 2016 for the nine areas are as follows:

<b>Risk Factor</b>	<b>Weight</b>
Time and Results of Previous Audits	.08
Operational Changes	.13
Volume of Financial Activity	.18
Internal Control Environment	.19
Experience and Training/Complexity	.08
Information Technology and Data Processing Subsystems	.13
Disaster Recovery and Backup Systems	.05
Fraud Risk Factors	.08
Outsourcing Internal Controls	.08
<b>Total</b>	<b>1.00</b>

5. Within each area of the questionnaire, the responses to the questions were assigned a numeric rating of risk anywhere from 1 (lowest risk) to 5 (highest risk). The completed questionnaires were evaluated, and the response to each question determined the risk rating given to that question.
6. The ratings of each of the responses to the questions within the nine major areas of risk were totaled by area. Each total was divided by the number of questions in the area to arrive at an average overall risk for that area.
7. The average risk ratings from each of the nine major areas of risk were weighted according to the factors noted previously. The results were then totaled by each DOA agency and section to determine a total overall risk factor.

Division of Administration  
Overall Internal Audit Plan  
Fiscal Year 2016

8. Each DOA agency and section was ranked according to the overall risk calculated. This ranking process identified Office of Finance and Support Services (OFSS) as having the highest overall risk. (See **Exhibit B**)
9. The average risk for each factor was also identified by each DOA agency and section. (See **Exhibit B**)
10. In addition to the responses to the risk assessment questionnaires, other factors were used in determining a final risk assessment for each individual DOA agency or section. The other factors include:
  - Size of fiscal year 2016 budget and the administration of direct federal funds or federal funds received from other state agencies
  - Size of staff within the individual agency or section
  - External audit findings reported on certain DOA agencies or sections, including any findings that report a lack of or inadequate internal audit function
  - Significant media issues reported on any DOA agency or section
  - Additional interest or concern of the Commissioner, Deputy Commissioner, Executive Counsel, Assistant Commissioners or individual section or agency heads
  - Evidence or substantive allegation of problems or wrongdoing
  - Potential for savings, additional revenue and/or service improvement
  - Exposure to loss of DOA resources due to large expenditures or inherent program risk
  - Availability of staff and/or resources to conduct the audit
11. Once consideration was given to all risk factors, a final risk assessment was made for each individual DOA agency or section. The risk assessed identifies those DOA agencies and sections where audit resources should be used during fiscal year 2016. See the final risk assessments by individual section or agency in **Exhibit C**.
12. Using the results of the risk assessment questionnaires as well as the additional criteria discussed previously in #10, an overall audit work schedule for internal audits within the DOA was developed for fiscal year 2016. Some of the audits or projects that are scheduled to begin during fiscal year 2016 may flow into fiscal year 2017 depending on the duration of the projects. The internal audits currently in progress within the DOA and those scheduled to be conducted as a result of the fiscal year 2016 risk assessment are presented in **Exhibit A**.
13. All of the audits conducted as a result of this audit plan will be done so according to the applicable auditing standards issued by the Institute of Internal Auditors. Those standards are titled "*The International Standards for the Professional Practice of Internal Auditing*."

**Fiscal Year 2016**  
**DOA Internal Audit Work Schedule (Non-IT)**  
**TBD = To Be Determined**

Project/Audit Number & Objective	Section	Audit Type	Date Issued/Completed
<b>Audits In Progress</b>			
<a href="#">13-DOA-REC-RET-004</a> DOA - Record Retention Policies and Schedules	DOA (division-wide)	Control/Compliance	<b>June 7, 2016</b>
<a href="#">13-OSUP-008</a> Operational Audit of the Office of Statewide Uniform Payroll	OSUP	Operational	<b>January 8, 2016</b>
<a href="#">14-DOA-CASH REC-RECON-009</a> Audit of DOA's Cash Receipts and Reconciliation	DOA (division-wide)	Control/Compliance	<b>Pending final review</b>
<a href="#">14-QTR3-PCARD AUDIT-014</a> Quarterly PCard Review - 3rd Quarter 2014 (Jan -	Statewide (OSP&T)	Compliance/Control	<b>Pending final review</b>
<a href="#">14-DOA POLICY REVIEW-015</a> Review of DOA and Statewide Policies	DOA	Special Project	<b>Currently in Review</b>
<a href="#">15-QTR4-PCARD Audit-03</a> Quarterly PCard Review - 4th Quarter 2014 (April - June)	Statewide (OSP&T)	Special Project	<b>Pending final review</b>
<a href="#">15-DOA-PCard/Travel Card-06</a> Annual Audit of DOA's PCard and Travel Card Activity	DOA	Control/Compliance	<b>June 7, 2016</b>
<a href="#">15-OSL-OPER-14</a> Operational audit of Office of State Lands	OSL	Operational	<b>In Progress</b>
<a href="#">15-OCD/HMGP-RECVRY/CLOSEOUT-17</a> Audit of OCD/HMGP recovery and closeout process	OCD/HMGP	Control/Compliance	<b>March 28, 2016</b>
<a href="#">15-FOLWUP-OEA-018</a> Follow-up to Internal Audits conducted in OEA.	OEA	Follow-Up	<b>Currently in Review</b>
<a href="#">16-Audit Plan-002</a> FY 2016 Audit Plan/Risk Assessment (Non-IT)	DOA	Audit Plan	<b>December 16, 2015</b>
<a href="#">16-DRU-CLSOUT-008</a> Audit of DRU DRGR Reporting System and Monitoring Process	OCD/DRU	Control/Compliance	<b>In Progress</b>
<a href="#">16-FOLWUP-OSP INVEST-009</a> Follow-up to recommendations made during a previous investigation.	OSP	Follow-Up	<b>In Progress</b>
<b>Audits Planned</b>			
<a href="#">16-FOLWUP-LFPAA-011</a> Follow-up to recommendations made in previous audit of LFPAA.	LFPAA	Follow-Up	<b>June 7, 2016</b>
<a href="#">16-Evaluation Summary-QAIP-013</a> Complete Evaluation Summary checklist from IIA handbook assessing quality control.	DOA Internal Audit	Special Project	<b>In Progress</b>
<a href="#">16-FOLWUP OFSS AFR AUDIT-014</a> Follow up to audit of FP&C's AFR Process	OFSS	Follow-Up	<b>In Progress</b>

**This plan will be monitored on a monthly basis and modified to reflect actual activities, dates, etc.**

**Fiscal Year 2016**  
**DOA Internal Audit Work Schedule (Non-IT)**  
**TBD = To Be Determined**

Project/Audit Number & Objective	Section	Audit Type	Date Issued/Completed
<u>16-FOLWUP FP&amp;C AFR AUDIT-015</u> Follow up to audit of FP&C's AFR Process	FP&C	Follow-Up	<b>June 13, 2016</b>
<u>16-OSRAP-VENDOR-CHGS-016</u> Audit of process for making changes to vendor information	OSRAP	Control/Compliance	<b>In Progress</b>
<u>16-DOA PAYMENTS-XXX</u> Audit DOA payment activity using ACL.	OFSS	Data Analysis	
<u>16-DOA VENDORS-XXX</u> Audit DOA vendor activity using ACL.	OSRAP/OFSS	Data Analysis	
<u>16-DOA-PCard/Travel Card-XXX</u> Annual Audit of DOA's PCard and Travel Card Activity	DOA	Control/Compliance	
<u>16-ANNL REP TO COMM-XXX</u> FY '16 Annual Report to the Commissioner	DOA	Special Report	
<u>16-OGB CONTR MON-XXX</u> - Audit of OGB contract monitoring procedures for vendors	OGB	Control/Compliance	
<u>16-OTS-COMM LINES-XXX</u> - Audit of phone lines to determine if unnecessary lines are active, cost savings	OTS	Control/Compliance	
<u>16-OFSS OPER AUDIT-XXX</u> Operational Audit of OFSS, (structure, reorg, reporting, cash disbursements)	OFSS	Operational Audit	
<u>16-OSHCM OPER AUDIT-XXX</u> Operational Audit of OSHCM	OSHCM	Operational Audit	
<u>16-OEA OPER AUDIT-XXX</u> Operational Audit of OEA	OEA	Operational Audit	
<u>16-CUST SURVEYS-XXX</u> Conduct a Customer Satisfaction Survey of new Ancillary Agencies (OSP, OSHCM, OTS) and report out the results.	DOA	Informational Audit	
<u>Conflict of Interest</u> Conduct a Division wide audit of conflict of interest	DOA	Control/Compliance	
<u>DOA FRAUD RISK ASSMT-XXX</u> Division-wide fraud risk assessment.	DOA	Fraud Risk Assessment	
<u>SELF-ASSMT PROJ-XXX</u> Review issued audits for self-assessment purposes ( <b>do in FY 2017 plan</b> )	DOA Internal Audit	Special Project	

**This plan will be monitored on a monthly basis and modified to reflect actual activities, dates, etc.**

Division Of Administration  
 Overall Audit Plan  
 Risk Assessment Factors and Ratings  
 FYE 6/30/16

W/P	Reference	DOA Non-IT Agencies/Sections	FACTOR WEIGHT	F1 0.08	F2 0.13	F3 0.18	F4 0.19	F5 0.08	F6 0.13	F7 0.05	F8 0.08	F9 0.08	TOTAL	NAME
	C-2-c-9	Office of Finance and Support Services		2.2500	4.6667	4.2000	3.0526	4.1667	1.8889	2.5000	1.1000	4.0000	3.23456	OFSS
	C-2-c-6	Office of Community Development - DRU		2.0000	3.3333	4.0000	2.7368	3.5000	2.0000	2.6667	1.9000	3.7143	2.95581	OCD-DRU
	C-2-c-21	Office of Resource Management and Assistance		4.0000	5.0000	1.6000	2.5789	4.6667	2.2500	5.0000	2.0000	1.0000	2.90383	ORMA
	C-2-c-16	Office of State Lands		3.5000	3.6667	2.2000	2.9474	3.5000	1.6667	2.0000	2.7500	3.4286	2.80362	OSL
	C-2-c-8	Office of Elderly Affairs		1.0000	2.6667	4.0000	3.0000	2.8333	2.1111	3.0000	1.5000	3.5714	2.77349	OEAA
	C-2-c-10	Office of General Counsel		3.0000	3.6667	2.2000	3.0000	3.6667	2.5556	4.0000	2.0000	1.0000	2.74822	OGC
	C-2-c-17	Office of State Procurement		2.0000	4.6667	2.4000	2.5263	3.8333	2.5556	3.0000	2.3750	1.0000	2.73756	OSP
	C-2-c-19	Office of State Reporting and Accounting Policy		3.2500	2.6667	2.6000	2.1053	3.8333	2.0000	5.0000	2.0000	2.8571	2.6799	OSRAP
	C-2-c-12	State Human Capital Management		1.2500	4.0000	2.6000	2.6316	3.5000	2.1111	1.5000	2.3750	3.0000	2.64744	HCM
	C-2-c-14	Office of Risk Management		2.0000	3.6667	2.6000	2.5789	3.0000	1.6667	3.0000	1.5000	3.8571	2.6299	ORM
	C-2-c-4	La Property Assistance Agency (806)		2.7500	2.0000	2.6000	2.5789	3.5000	1.5556	3.0000	2.7500	3.8571	2.59879	LPAA
	C-2-c-5	Office of Community Development - CDBG		2.0000	4.0000	4.0000	2.3684	2.8333	1.8889	1.0000	1.0000	1.0000	2.53222	OCD-CDBG
	C-2-c-2	Facility Planning and Control (115)		1.5000	2.0000	2.6000	2.6316	3.8333	1.6667	3.0000	2.2500	3.8571	2.5099	FP&C
	C-2-c-7	Office of Community Development - LGAP/CWEP		4.0000	3.3333	4.0000	2.1053	2.8333	1.5000	1.0000	1.0000	1.0000	2.505	OCD-LGAP
	C-2-c-11	Office of Group Benefits		2.2500	4.6667	1.0000	2.5263	3.3333	1.6667	1.0000	2.2500	3.8571	2.46857	OGB
	C-2-c-20	Office of State Uniform Payroll		3.5000	2.3333	2.6000	2.7895	3.3333	1.7778	2.0000	1.2000	1.0000	2.35511	OSUP
	C-2-c-15	Office of State Buildings		3.0000	2.0000	2.4000	2.3684	3.0000	1.6667	3.0000	2.3750	1.0000	2.5867	OSB
	C-2-c-3	La Federal Property Assistance Agency (807)		1.5000	1.6667	2.2000	2.9474	3.5000	1.5556	1.0000	1.7000	3.2857	2.22375	LFPAA
	C-2-c-18	Office of State Register		3.0000	1.6667	2.0000	2.4737	3.1667	1.6667	1.0000	1.7500	2.4286	2.14095	OSR
	C-2-c-13	Office of Planning and Budget		2.0000	2.0000	1.0000	2.6842	3.3333	1.8889	2.0000	1.5000	1.0000	1.92222	OPB
	C-2-c-1	Aircraft Services		2.0000	1.0000	1.0000	2.1667	3.1667	2.5000	3.0000	1.7000	1.0000	1.826	Aircraft

DOA IT Section/Agency

C-2-c-22	Office of Technology Services (815)			1.7500	5.0000	2.6000	2.8421	3.5000	1.6667	1.0000	1.7000	3.1429	2.7321	OTS
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Formulas and Instructions:

- Alter the weights of the risk factors in Cells C3..J3 to suit your risk model. The weights should sum to 1.00 (shown in Cell L3).
- Enter the auditable units of the audit universe in column B. The associated Audit Numbers may be assigned and entered in column A.
- Evaluate each auditable unit by assigning a score (1= low, 5= high) for each risk factor used in the model. The total risk score will be shown in column L. The score is based on the risk assessment questionnaire. There are 9 sections in the questionnaire, and the score for each section will be an average of the answered questions in that section.
- The scores for each of the 9 sections are then multiplied by the weight for that particular risk factor. Then all 9 of the weighted scores are added for a total score.
- The spreadsheet data may be sorted (recommended) to prioritize the auditable units.

Risk Factors

- F1 -- Previous Audits
- F2 -- Operational Changes
- F3 -- Volume of Financial Activity
- F4 -- Control Environment
- F5 -- Experience and Training
- F6 -- Information Technology Data Subsystems
- F7 -- Disaster Recovery/ Backup System
- F8 -- Fraud Risk Factors
- F9 -- Outsourcing Key Internal Controls Through Contracts

Division Of Administration  
 Overall Audit Plan  
 Final Risk Assessment by Section or Agency  
 FYE 6/30/16

Exhibit C

<u>DOA Agency/Section (NON IT):</u>	FY 2016 FINAL RISK ASSESSMENT	Agency or Section Acronym
1 Office of Community Development, Disaster Recovery Unit	High	OCD/DRU
2 Office of Elderly Affairs	High	OEA
3 Office of Finance and Support Services	High	OFSS
4 Office of Group Benefits	High	OGB
5 Office of State Lands	High	OSL
6 Office of State Human Capital Management	High	OSHCM
7 Office of Facility Planning and Control	Medium	FP&C
8 Louisiana Federal Property Assistance Agency	Medium	LFPAA
9 Office of General Counsel	Medium	OGC
10 Office of Planning and Budget	Medium	OPB
11 Office of Risk Management	Medium	ORM
12 Office of State Procurement (includes Office of State Travel for 2016)	Medium	OSP
13 Office of State Travel (operates as individual section, will assess risk separately next year)	-----	-----
14 Office of Statewide Reporting and Accounting Policy	Medium	OSRAP
15 Office of State Uniform Payroll	Medium	OSUP
16 Office of Aircraft Services	Low	Aircraft
17 Office of Resource Management and Assistance	Low	ORMA
18 Louisiana Property Assistance Agency	Low	LPAA
19 Office of Community Development, Community Development Block Grant	Low	OCD/CDBG
20 Office of Community Development, Louisiana Government Assistance Program	Low	OCD/LGAP
21 Office of State Buildings	Low	OSB
22 Office of State Register	Low	OSR

**NOTE:** The DOA Information Technology Section (OTS) is included in a separate IT Audit Plan.

**The final risk assessment for DOA's IT Section (OTS) for FY 2016 is as follows:**

23 Office of Technology Services (OTS)	High	OTS
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