



Frank Edelblut
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The Honorable Ken Weyler, Chairman
Members of the Fiscal Committee
Fiscal Committee of the General Court
State House
Concord, NH 03301

Honorable Members:

The Department of Education, Bureau of Vocational Rehabilitation would like to thank the Legislative Budget Assistant (LBA) audit team for a comprehensive and extended look at the operations of our vocational rehabilitation activities. This audit confirmed many of the control deficiencies that the Bureau had identified and was working on, as well as, identify additional areas of improvement. They have provided a good roadmap for the Bureau to continue its on-going efforts to ensure a strong system of internal control and a high level of customer support.

Toward that end, the Department will be conducting on-going monitoring to ensure an effective response to each of the improvement areas. In addition, the Bureau will be issuing a Request for Proposal ("RFP") to solicit outside expertise to further solidify its response.

In this letter, I would like to address an observation of my own, having now been through this audit process for the first time with the state.

There may be an opportunity for the state to strengthen its overall system of internal control through a more precise understanding of the role of internal audit within the state as well as the implementation of a more collaborative, and less combative approach.

Role of Internal Audit

Internal Audit plays a vital role in the overall system of control through its monitoring function. The Institute of Internal Auditors defines internal auditing as:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

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One way that the internal audit function accomplishes this mission is by making recommendations and monitoring the implementation. During the course of the Bureau of Vocational Rehabilitation audit, the LBA audit team appropriately pointed out that many of the deficiencies identified in this audit were also identified during a 2001 LBA audit that had not been effectively acted on by the Bureau of Vocational Rehabilitation management team. When this was pointed out to the auditors, they responded:

The function of the LBA Audit Division is to conduct audits to identify areas of improvement; it remains DOE management's responsibility to ensure findings and recommendations are addressed timely.

They are certainly correct that the internal control system is a responsibility of management, and one that the current management of the Bureau takes very seriously. In order to have a strong system of internal control, it is also important for the monitoring functions – internal audit – to also have a complete understanding of its responsibility.

The International Standards for the Professional Practice of Internal Auditing (Standards) states in section 2500:

2500 – Monitoring Progress: The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

I would encourage the Fiscal Committee and the LBA audit team to reexamine its practices to ensure that they can be as effective as possible in the course of their work, including a monitoring role to help ensure that internal control observations are effectively and timely implemented.

We want to once again thank the LBA audit team for their hard work on behalf of the Bureau of Vocational Rehabilitation and our customers, and provide assurance to them and to the legislature, that the recommendations and the Bureau's response are taken seriously and will be acted on appropriately.

Sincerely,



Frank Edelblut
Commissioner of Education