

RISK ASSESSMENT FISCAL YEAR 2017-2018

PROJECT REPORT

Audit Control Number: 18-01
June 20, 2019



Issued: June 20, 2019

**LOUISIANA DEPARTMENT OF EDUCATION
BUREAU OF INTERNAL AUDIT
Baton Rouge, LA**

NOTICE

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the Superintendent of Education, members of the Board of Elementary and Secondary Education, and other officials as appropriate or required by law. A copy of this report has been made available for public inspection in the Bureau of Internal Audit at the Louisiana State Department of Education.



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June 20, 2019

Board of Elementary and Secondary Education
John White, Superintendent of Education
Louisiana Department of Education

Enclosed is our risk assessment of the Department's programs for fiscal year 2017-2018. This project was undertaken to update our prior risk assessment which was performed in FY2016 and develop a long-term audit plan for the Department.

Respectfully submitted,

A handwritten signature in blue ink that reads "Dudley J. Garidel, Jr.".

Dudley J. Garidel, Jr.
Director of Internal Audit

DJGJr:CJK

Enclosure

Distribution:

Board of Elementary and Secondary Education (11)
John White, Superintendent of Education
Bridget Devlin, Chief Operating Officer
Catherine Pozniak, Asst. Supt. Office of Federal Support & Fiscal Operations
Shan Davis, BESE Executive Director
Office of the Legislative Auditor

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EXECUTIVE SUMMARY

This document contains an audit risk assessment for the Louisiana Department of Education (LDE). The main objective of assessing risk exposure is to identify those areas considered essential to LDE operations when developing an audit plan and reasonably ensuring activities with the greatest risk are audited. The risk assessment strengthens the audit planning and scheduling process; however, it is not intended to replace professional judgment, but, rather to supplement it.

The risk assessment and audit planning process consists of the following four basic steps:

1. Develop a method to identify departmental functions and programs.
2. Identify potential audit areas.
3. Assess risk and rank audit areas in order of priority.
4. Select audits for the annual audit plan.

We developed a list of LDE functions/programs by reviewing the department's organizational chart structure and interviewing management. Specifically, potential audit areas were identified through interviews conducted with Executive Management and Directors. Surveys on the significance and ranking of risk factors were completed by Executive Management, Directors and certain Board of Elementary and Secondary Education (BESE) members. Additionally, questionnaires to evaluate the impact of risk factors upon each function were completed by Executive Management and Directors. All potential audit areas were weighted based on the averages from survey of risk factors and the questionnaire responses, which considered the results of prior audits, as applicable, and the control environment in which the processes reside.

We then ranked the potential audit areas in descending order from highest to lowest final risk scores. In accordance with Institute of Internal Auditors Standards, these rankings will be a basis, although not the sole source, from which we develop our annual audit plan. Although it is desirable for any audit plan to be risk-based, the reality is a number of factors, such as potential fraud or compliance considerations, might cause an annual audit plan to contain audits or projects taken out of order or not contained in these rankings. Completing this cycle of audits within a five-year timeframe will depend upon a number of factors such as staffing and special projects.

DESCRIPTION of RISK FACTORS

Each of the following factors was given to senior management to rate relative importance (see Weighting of Survey Risk Factors table on page 4).

Results and Time Since Last Audit

Prior audit results and the length of time since the last audit. The observations and related recommendations from previous audits must be evaluated based on their importance to the overall activity. In general, risk increases as the time since the last audit increases.

Operational Changes in Systems, Processes, or Procedures

A recent change in system, process, or procedure may invalidate past performance or past audit results as measures of internal control. A change may also bring about new responsibilities, pressures, expectations, etc., which may increase risk. Conversion from a manual to computerized process is an example of this type of change.

Financial Analysis

The amount of funds flowing through an entity, department, or division, and the related accounts. This evaluation includes the actual annual budget and/or the amount of federal funds received. It also considers the possible impact a diversion or misapplication of funds may have on the Department.

Quality of Manual Controls

Manual controls are policies and/or procedures implemented by management to enhance the likelihood established objectives and goals will be achieved in a noncomputerized or paper-based system. The objectives of this evaluation are to determine whether: a) a system of written or implied procedures exists; b) the system is operating effectively; and c) the system of controls is adequate.

Complexity of Operations, Experience, & Training

A measure of the complexity of an activity with regard to the number of techniques or procedures necessary to complete a process and the number of different data systems or departments with which the activity must interface. The experience and training, or lack thereof, of staff can add to or reduce the activity's complexity. Complexity can increase both the probability of error and resources needed to monitor the system.

Quality of Automated Controls/Information Technology (IT) Subsystems

Automated controls are computerized actions implemented by management to enhance the likelihood established objectives and goals will be achieved. The evaluation of automated controls in a particular area of activity must address the requirements of this definition. The objectives of this evaluation are to determine whether: a) a system of automated controls exists; b) the system is operating effectively; and c) the system of controls is adequate.

Disaster Recovery/Public Disclosure Implications

The potential public relations impact if a disaster destroys or an error causes a public disclosure of confidential, sensitive information. The types of issues addressed include formal policy, confidentiality of information, and external factors such as reporting requirements, political changes, and regulations.

Fraud Risk Factors/Security of Assets

The determination of the liquidity of the assets and the extent these assets are safeguarded. The significance of the assets involved relative to identification of assets and the controls of the unit to secure these assets are considered.

Management/Internal Control Outsourcing

The ability and experience of management to ensure the effectiveness, efficiency, and continuation of unit operations, including whether management chooses to use internal or external means of implementing and maintaining internal controls. This evaluation involves review of management procedures for the assurance of work performance, employee responsibilities, continuity of operations, and responsibility for internal control.

WEIGHTING of SURVEY RISK FACTORS

Risk Factors	Management Survey Responses								Mgmt. Rankings Average (J)	Audit Director Ranking (K)	Total Average Ranking (J + K/ 2)	Final Ranking
	1	2	3	4	5	6	7	8				
Results and Time Since Last Audit	3	4	1	4	3	1	1	3	2.22	1	1.61	1
Operational Changes in Systems, Processes, or Procedures	2	6	8	5	7	4	7	1	4.44	5	4.72	4
Financial Analysis	6	7	6	9	4	8	5	6	5.67	4	4.83	5
Quality of Manual Controls	8	5	7	7	5	7	6	9	6.00	6	6.00	7
Complexity of Operations/Experience & Training	1	1	3	2	9	6	8	2	3.56	8	5.78	6
Quality of Automated Controls	4	2	9	6	6	9	3	8	5.22	7	6.11	8
Disaster Recovery/Public Disclosure Implications	5	3	5	8	8	2	4	5	4.44	3	3.72	3
Fraud Risk Factors/Asset Security	7	8	2	1	1	3	2	4	3.11	2	2.56	2
Management/Internal Control Outsourcing	9	1	4	3	2	5	9	7	4.44	9	6.72	9

Key to Management Chart	
1.	Bridget Devlin - Chief Operating Officer
2.	Jenna Conway - Early Childhood
3.	Jamie Wong - IDEA
4.	Stephanie Marcum - Student Opportunity
5.	Hannah Dietsch - Talent
6.	Dianna Keller - Transitional Support
7.	Tony Davis - BESE Finance Committee
8.	Dr. Gary Jones - BESE President

Ranking of Audit Areas Risk Factor Summary

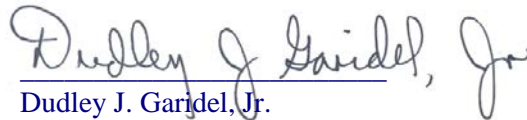
<u>Program</u>	<u>Division</u>	<u>Audit Value Significance Ranking</u>	<u>Last Audit</u> 1	<u>System Changes</u> 4	<u>Financial Analysis</u> 5	<u>Manual Controls</u> 7	<u>Operations Complexity</u> 6	<u>Automated Controls</u> 8	<u>Disaster Recovery/ Public Disclosure</u> 3	<u>Asset Security</u> 2	<u>Mgmt.</u> 9	<u>Final Risk Score</u>
Title I, Part A	Fiscal Operations & Federal Support	Descriptive Value Extended Value	5 5	10 40	25 125	38 266	16 96	14 112	6 18	21 42	14 126	18.4444
IDEA, Part B	Fiscal Operations & Federal Support	Descriptive Value Extended Value	5 5	10 40	25 125	38 266	16 96	14 112	6 18	21 42	14 126	18.4444
Title IV, Part A - SSAE	Fiscal Operations & Federal Support	Descriptive Value Extended Value	9 9	10 40	25 125	38 266	15 90	14 112	6 18	21 42	14 126	18.4000
Title II	Fiscal Operations & Federal Support	Descriptive Value Extended Value	5 5	10 40	24 120	38 266	16 96	14 112	6 18	21 42	14 126	18.3333
Striving Readers Comprehensive Literacy (SRCL)	Fiscal Operations & Federal Support	Descriptive Value Extended Value	9 9	10 40	24 120	38 266	15 90	14 112	6 18	21 42	14 126	18.2889
8(g) - Statewide Allocation	Fiscal Operations & Federal Support	Descriptive Value Extended Value	9 9	10 40	24 120	38 266	15 90	14 112	6 18	21 42	14 126	18.2889
Title I, Part B	Fiscal Operations & Federal Support	Descriptive Value Extended Value	5 5	10 40	23 115	38 266	16 96	14 112	6 18	21 42	14 126	18.2222
Education Excellence Fund	Fiscal Operations & Federal Support	Descriptive Value Extended Value	5 5	10 40	24 120	38 266	15 90	14 112	6 18	21 42	14 126	18.2000
Title III, English Acquisition Grant	Fiscal Operations & Federal Support	Descriptive Value Extended Value	9 9	10 40	22 110	38 266	16 96	14 112	6 18	21 42	14 126	18.2000
Title V, Rural Education Achievement	Fiscal Operations & Federal Support	Descriptive Value Extended Value	9 9	10 40	22 110	38 266	16 96	14 112	6 18	21 42	14 126	18.2000
Title I, Part D - Neglected & Delinquent	Fiscal Operations & Federal Support	Descriptive Value Extended Value	9 9	10 40	22 110	38 266	16 96	14 112	6 18	21 42	14 126	18.2000

<u>Program</u>	<u>Division</u>	<u>Audit Value Significance Ranking</u>	<u>Last Audit</u> 1	<u>System Changes</u> 4	<u>Financial Analysis</u> 5	<u>Manual Controls</u> 7	<u>Operations Complexity</u> 6	<u>Automated Controls</u> 8	<u>Disaster Recovery/ Public Disclosure</u> 3	<u>Asset Security</u> 2	<u>Mgmt.</u> 9	<u>Final Risk Score</u>
Minimum Foundation Program (MFP)	State Education Finance & Policy	Descriptive Value	5	8	23	42	14	15	3	12	15	
		Extended Value	5	32	115	294	84	120	9	24	135	18.1778
Title I, Part C - Migrant Education	Fiscal Operations & Federal Support	Descriptive Value	6	10	22	38	16	14	6	21	14	
		Extended Value	6	40	110	266	96	112	18	42	126	18.1333
Homeless - McKinney-Vento	Fiscal Operations & Federal Support	Descriptive Value	9	10	21	38	16	14	6	21	14	
		Extended Value	9	40	105	266	96	112	18	42	126	18.0889
Professional Improvement Program (PIP)	State Education Finance & Policy	Descriptive Value	5	8	22	42	14	15	3	12	15	
		Extended Value	5	32	110	294	84	120	9	24	135	18.0667
Teacher Incentive Fund (TIF)	Talent	Descriptive Value	14	6	15	36	13	19	5	25	17	
		Extended Value	14	24	75	252	78	152	15	50	153	18.0667
State Personnel Development Grant (SPDG)	Fiscal Operations & Federal Support	Descriptive Value	9	10	21	38	15	14	6	21	14	
		Extended Value	9	40	105	266	90	112	18	42	126	17.9556
Carl D. Perkins Career Technical Education	Student Opportunity	Descriptive Value	11	5	18	39	13	16	6	18	17	
		Extended Value	11	20	90	273	78	128	18	36	153	17.9333
Teacher Certification	Talent	Descriptive Value	14	6	13	36	13	19	5	25	17	
		Extended Value	14	24	65	252	78	152	15	50	153	17.8444
Title IV, Part B - 21st Century Community	Fiscal Operations & Federal Support	Descriptive Value	5	9	18	38	15	14	6	21	14	
		Extended Value	5	36	90	266	90	112	18	42	126	17.4444
State Administrative Child Nutrition	Food Nutrition Services	Descriptive Value	19	6	20	31	12	12	4	15	15	
		Extended Value	19	24	100	217	72	96	12	30	135	15.6667
Title I - Redesign	Portfolio/School Improvement	Descriptive Value	6	8	15	32	15	14	5	17	13	
		Extended Value	6	32	75	224	90	112	15	34	117	15.6667
Fresh Fruit and Vegetable	Food Nutrition Services	Descriptive Value	19	6	19	31	12	12	4	15	15	
		Extended Value	19	24	95	217	72	96	12	30	135	15.5556
Charter School Program	Portfolio/School Improvement	Descriptive Value	6	8	14	32	15	14	5	17	13	
		Extended Value	6	32	70	224	90	112	15	34	117	15.5556

<u>Program</u>	<u>Division</u>	<u>Audit Value Significance Ranking</u>	<u>Last Audit</u> 1	<u>System Changes</u> 4	<u>Financial Analysis</u> 5	<u>Manual Controls</u> 7	<u>Operations Complexity</u> 6	<u>Automated Controls</u> 8	<u>Disaster Recovery/ Public Disclosure</u> 3	<u>Asset Security</u> 2	<u>Mgmt.</u> 9	<u>Final Risk Score</u>
National School Lunch Program	Food Nutrition Services	Descriptive Value Extended Value	7 7	6 24	21 105	31 217	12 72	12 96	4 12	15 30	15 135	15.5111
Child and Adult Food Care	Food Nutrition Services	Descriptive Value Extended Value	7 7	6 24	21 105	31 217	12 72	12 96	4 12	15 30	15 135	15.5111
School Milk	Food Nutrition Services	Descriptive Value Extended Value	19 19	6 24	17 85	31 217	12 72	12 96	4 12	15 30	15 135	15.3333
Team Nutrition	Food Nutrition Services	Descriptive Value Extended Value	19 19	6 24	17 85	31 217	12 72	12 96	4 12	15 30	15 135	15.3333
Charter School Loan Fund	Portfolio/School Improvement	Descriptive Value Extended Value	6 6	8 32	12 60	32 224	15 90	14 112	5 15	17 34	13 117	15.3333
Summer Food	Food Nutrition Services	Descriptive Value Extended Value	9 9	6 24	18 90	31 217	12 72	12 96	4 12	15 30	15 135	15.2222
Child Care Development Fund (CCDF)	Early Childhood - Operations	Descriptive Value Extended Value	8 8	6 24	17 85	29 203	9 54	14 112	7 21	16 32	14 126	14.7778
Cecil J. Picard LA 4 Early Childhood	Academic Policy	Descriptive Value Extended Value	5 5	6 24	18 90	27 189	9 54	14 112	6 18	16 32	14 126	14.4444
Preschool Development Grant (PDG)	Academic Policy	Descriptive Value Extended Value	5 5	6 24	17 85	27 189	9 54	14 112	6 18	16 32	14 126	14.3333
Nonpublic School Early Childhood Development	Academic Policy	Descriptive Value Extended Value	5 5	6 24	16 80	27 189	9 54	14 112	6 18	16 32	14 126	14.2222
IDEA Preschool	Academic Policy	Descriptive Value Extended Value	5 5	6 24	15 75	27 189	9 54	14 112	6 18	16 32	14 126	14.1111
HeadStart	Academic Policy	Descriptive Value Extended Value	5 5	6 24	14 70	27 189	9 54	14 112	6 18	16 32	14 126	14.0000

Our risk assessment was conducted in accordance with *The Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics* issued by the Institute of Internal Auditors. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

We acknowledge with appreciation the courtesies extended to our representatives during the project.

A handwritten signature in black ink, reading "Dudley J. Garidel, Jr.", written over a horizontal line.

Dudley J. Garidel, Jr.
Director of Internal Audit