

RISK ASSESSMENT FISCAL YEAR 2019-2020

PROJECT REPORT

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June 30, 2020



Issued: December 16, 2020

**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.



LOUISIANA DEPARTMENT OF EDUCATION

December 16, 2020

Board of Elementary and Secondary Education
Dr. Cade Brumley, Superintendent of Education
Louisiana Department of Education

Enclosed is the risk assessment of the Department's programs for Fiscal Year 2019-2020. This project was undertaken to update to comply with State law and develop an audit plan for Fiscal Year 2020-2021.

Respectfully submitted,

Dudley J. Garidel, Jr. CPA
Director of Internal Audit

DJGJr

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EXECUTIVE SUMMARY

The project conducted by the Bureau of Internal Audit (BIA) involved a Department wide risk assessment in accordance with Louisiana State law and professional standards of the *Institute of Internal Auditors*. The main objective for assessing risk is to identify areas considered essential to Louisiana Department of Education (LDE) operations. This information is used 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 does not replace professional judgment, but, rather supplements it.

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

1. Develop a method to identify LDE 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. Potential audit areas were identified through surveys conducted using a Google platform based *Annual Risk Assessment Questionnaire*. The surveys were completed by Executive Management and Directors. Significance and ranking of risk factors were based on those contained in the BIA Audit Manual and modified as necessary. All potential audit areas were weighted based on the averages from survey of risk factors and the questionnaire responses.

We 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 desirable for any audit plan to be risk-based, 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 one-year timeframe will depend upon a number of factors such as staffing and special projects.

RISK FACTOR DESCRIPTIONS

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

Audit History

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

Operational Changes

Risk for errors or weakening of internal controls increases when changes in organizations occur, including personnel or procedure changes. Assessing the risk helps an organization understand where additional effort should be made to maintain or enhance internal controls over processes. Conversion from a manual to computerized process is an example of this type of change.

Financial Transactions

Processing financial transactions is one area of operations with the highest risk of errors and where the absence of internal control has the greatest impact. It is important to assess risk to identify areas in which internal control can be strengthened. 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.

Federal Grant Management Responsibility

Federal grants have many regulations attached to the administration of these funds. Managing federal grants is a complex process to ensure compliance with federal regulations. The complexity of these operations means the risk of error should be identified so internal controls can be strengthened to ensure compliance and safeguarding of federal dollars.

Federal Program Monitoring

Federal programs require monitoring to ensure the programs are administered appropriately by the grant recipients. Failure to monitor or inadequate monitoring of federal programs may lead to embezzlement or theft of federal funds, citation for failure to comply with federal regulations, loss of or repayment of federal funds.

State Program Monitoring

State programs administered by the LDE require monitoring to ensure the programs are being administered appropriately

Complexity of Operations, Experience, & Training

The experience and training of management and staff members have a direct impact on the efficiency, effectiveness and accuracy of operations. 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. Complexity can increase both the probability of error and resources needed to monitor the system.

Information Technology (IT) Subsystems

Technology is integral to administering programs. Internal controls to keep the systems safe from errors or malicious software should be in place to keep public information safe, especially if it drives funding. 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.

Internal Control Environment

Internal controls are steps in a process ensuring accuracy of information and processing to avoid errors or noncompliance with rules and laws. Internal controls are policies and/or procedures implemented by management to enhance the likelihood established objectives and goals will be achieved in a noncomputerized environment. 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.

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. Public funds must be safeguarded from the risk of theft or misappropriation. Controls should be in place to ensure processes are insulated from weaknesses which would allow such fraud to occur. Once such control is a method for detecting suspected fraud.

WEIGHTING of SURVEY RISK FACTORS

Risk Factors	Weight
Audit History	0.08
Operational Changes	0.13
Financial Transactions	0.17
Federal Grant Management Responsibilities	0.05
Federal Program Monitoring	0.05
State Program Monitoring	0.05
Experience & Training/Complexity	0.08
Information Technology	0.13
Internal Control Environment	0.18
Fraud Risk Factors	0.08

Total

1.00

RISK FACTOR SUMMARY

AGENCY/DIVISION/SECTION	RISK FACTOR SIGNIFICANCE RANKING WEIGHT	F1 1 0.05	F2 8 0.13	F3 9 0.14	F4 4 0.08	F5 4 0.07	F6 2 0.06	F7 6 0.1	F8 7 0.12	F9 10 0.16	F10 5 0.09	TOTAL 1.00
Academic Strategy (AS) - Teacher Certification		2.2500	30.0000	33.7500	1.3333	1.3333	2.0000	18.0000	22.4000	25.7143	15.0000	17.6598
Executive Office (EO) - Healthy Communities		3.0000	34.0000	24.7500	16.0000	14.6667	2.0000	14.4000	7.0000	20.0000	18.3333	17.5917
AS - Educator Workforce		3.0000	28.0000	9.0000	4.0000	4.0000	2.0000	28.8000	29.4000	24.2857	18.3333	16.0637
Academic Policy & Early Childhood Planning (APEC) - Operations - Child Care Assistance Program		2.5000	20.0000	36.0000	12.0000	4.0000	2.0000	19.2000	12.6000	15.7143	8.3333	15.0713
Fiscal Operations & Federal Support (FOFS) - Food & Nutrition Support		2.0000	14.0000	45.0000	16.0000	4.0000	2.0000	13.2000	11.2000	11.4286	5.0000	14.3926
AS - School Improvement		2.5000	36.0000	2.2500	10.6667	4.0000	6.0000	19.2000	23.8000	17.1429	15.0000	14.1322
FOFS - Appropriation Control		1.0000	18.0000	36.0000	2.6667	4.0000	2.0000	15.6000	22.4000	11.4286	5.8333	14.1199
FOFS - Federal Programs		2.0000	20.0000	9.0000	20.0000	4.0000	2.0000	18.0000	28.0000	15.7143	11.6667	13.6343
AS - Talent Pipeline		2.0000	30.0000	27.0000	12.0000	6.6667	2.0000	15.6000	7.0000	11.4286	11.6667	13.5552
AS - Recovery School District		3.0000	12.0000	9.0000	4.0000	4.0000	2.0000	22.8000	22.4000	28.5714	15.0000	13.2294
APEC - Early Childhood (EC) Ops - Licensing		3.0000	20.0000	21.0000	12.0000	10.6667	2.0000	18.0000	12.6000	14.2857	8.3333	13.1144
APEC - EC Strategy		1.0000	12.0000	39.0000	16.0000	4.0000	4.0000	15.6000	7.0000	11.4286	15.0000	13.0986
APEC - Data Analytics		3.0000	28.0000	9.0000	4.0000	4.0000	2.0000	18.0000	23.8000	11.4286	21.6667	12.2546
State Education Finance & Policy		2.0000	14.0000	33.0000	4.0000	4.0000	4.0000	18.0000	7.0000	11.4286	5.0000	11.8486
AS - Strategy & Educator Leadership		2.0000	16.0000	9.0000	4.0000	4.0000	2.0000	22.8000	7.0000	27.1429	20.0000	11.6229
EO - Human Resources		1.0000	12.0000	18.0000	4.0000	4.0000	2.0000	15.6000	7.0000	18.5714	5.0000	10.6714
EO - Louisiana School Deaf & Visually Impaired		2.5000	16.0000	15.0000	18.0000	4.0000	2.0000	16.8000	7.0000	11.4286	9.1667	10.4936
EO - Special School District		2.2500	16.0000	9.0000	16.0000	9.3333	4.0000	15.6000	7.0000	11.4286	5.8333	10.3794
FOFS - Statewide Monitoring		2.0000	14.0000	24.0000	4.0000	6.6667	2.0000	14.4000	7.0000	11.4286	5.0000	10.2952
APEC - Assessments & Accountability		3.0000	24.0000	9.0000	4.0000	4.0000	2.0000	16.8000	7.0000	15.7143	15.0000	10.2843
Student Opportunities		2.5000	10.0000	21.0000	12.0000	4.0000	4.0000	15.6000	7.0000	11.4286	8.3333	10.0736
FOFS - Education Finance		2.0000	20.0000	9.0000	4.0000	4.0000	2.0000	21.6000	7.0000	14.2857	18.3333	9.9657
APEC - EC Ops - Contact/Call Center		3.0000	20.0000	9.0000	4.0000	4.0000	2.0000	18.0000	7.0000	12.8571	8.3333	9.4271
FOFS - Grants Management		2.0000	18.0000	9.0000	14.6667	4.0000	2.0000	13.2000	7.0000	11.4286	5.0000	9.2619
FOFS - Diverse Learner Supports		2.0000	18.0000	9.0000	6.6667	4.0000	2.0000	18.0000	7.0000	10.0000	16.6667	8.8733

Risk Factors

F1 -- Audit History

F2 -- Operational Changes

F3 -- Financial Transactions

F4 -- Federal Grant Management Responsibilities

F5 -- Federal Program Monitoring

F6 -- State Program Monitoring

F7 -- Experience & Training/Complexity

F8 -- Information Technology

F9-- Internal Control Environment

F10 -- Fraud Risk Factors

OVERALL RISK ASSESSMENT

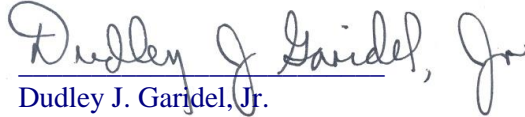
Section/Agency	Questionnaire	Funding	Positions/ Staff Size		Reportable Findings - Two Most Recent Years		Media	Management	Assessment
			Total T/O HR	Per	Yes	Type			
Name	Overall Score	Total					Media Issues - Risk Impact	Management Concerns Impact	Final
Academic Strategy (AS) - Teacher Certification	17.6598	\$ 934,117	5				High	-----	High
Executive Office (EO) - Healthy Communities	17.5917	877,252.00	3				Low	-----	High
AS - Educator Workforce	16.0637	229,012	15				Medium	-----	Medium
Academic Policy & Early Childhood (APEC) - EC Operations (Ops)- Child Care Assistance Program	15.0713	134,922,068	78				Medium	-----	Medium
Fiscal Operations & Federal Support (FOFS) - Food & Nutrition Support	14.3926	584,557,681	27		Yes	7	High	-----	Medium
AS - School Improvement	14.1322	1,926,313	11				High	-----	Medium
FOFS - Appropriation Control	14.1199	1,103,937	30				Medium	-----	Medium
FOFS - Federal Programs	13.6343	457,957,065	5				High	-----	Medium
AS- Talent Pipeline	13.5552	11,894,645	2				Low	-----	Medium
AS - Recovery School District	13.2294	163,467,532	11 ***				High	-----	Medium
APEC - EC Ops - Licensing	13.1144	5,120,398	46		Yes		High	-----	Medium
APEC - Early Childhood [EC] Strategy	13.0986	107,399,818	43				Low	-----	Medium
APEC - Data Analytics	12.2546	2,064,156	25		Yes	3	Low	-----	Low
State Education Finance & Policy	11.8486	3,874,480,972	16				High	-----	Low
AS - Strategy & Educator Leadership	11.6229	1,375,525	6				Medium	-----	Low
EO - Human Resources	10.6714	782,198	8				Low	-----	Low
EO - Louisiana School Deaf & Visually Impaired	10.4936	25,559,745	241				High	-----	Low
EO - Special School District	10.3794	9,272,930	97				High	-----	Low
FOFS - Statewide Monitoring	10.2952	2,606,243	15				Low	-----	Low
APEC - Assessments & Accountability	10.2843	24,403,509	30				Medium	-----	Low
Student Opportunities	10.0736	2,925,545	15				Medium	-----	Low
FOFS - Education Finance	9.9657	**	9				Medium	-----	Low
APEC - EC Ops - Contact/Call Center	9.4271	*	18				Low	-----	Low
FOFS- Grants Management	9.2619	2,193,367	11				Medium	-----	Low
FOFS - Diverse Learner Supports	8.8733	172,615,840	9				Low	-----	Low
		\$5,588,669,868	765						

* The Call Center is not broken out separately from Early Childhood Operations
** Education Finance is not broken out separately from Appropriation Control (Fiscal Operations)
*** RSD employees are Unclassified, Non-T/O

1 = LLA [LA. Legislative Auditor]
2 = LLA IT
3 = LLA Performance
4 = BIA [Bureau of Internal Audit]
5 = USDOE Program
6 = USDOE OIG
7 = USDA Program
8 = USDA OIG

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.


Dudley J. Garidel, Jr.
Director of Internal Audit