RISK ASSESSMENT
FISCAL YEAR 2020-2021

PROJECT REPORT

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

October 13, 2021

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 2020-2021. This project was undertaken to update to comply with State law and develop an audit plan for Fiscal Year 2021-2022.

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) involves 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

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.

SURVEY RISK FACTOR WEIGHTING

Risk Factors	Weight
Audit History	0.05
Operational Changes	0.13
Financial Transactions	0.14
Federal Grant Management Responsibilities	0.08
Federal Program Monitoring	0.07
State Program Monitoring	0.06
Experience & Training/Complexity	0.10
Information Technology	0.12
Internal Control Environment	0.16
Fraud Risk Factors	0.09

Total   1.00

RISK FACTOR SUMMARY

RISK FACTOR	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	
SIGNIFICANCE RANKING	1	8	9	4	4	2	6	7	10	5	TOTAL
AGENCY/DIVISION/SECTION WEIGHT	0.05	0.13	0.14	0.08	0.07	0.06	0.10	0.12	0.16	0.09	1.00
TL - Educator Development	3.0000	28.0000	27.0000	4.0000	4.0000	2.0000	21.6000	22.4000	27.1429	18.3333	**17.4809**
CCR - Quality Diplomas	3.0000	28.0000	30.0000	12.0000	4.0000	6.0000	22.8000	22.4000	12.8571	16.6667	**16.6151**
LPW - Healthy Communities	3.0000	34.0000	30.0000	18.0000	9.3333	8.0000	12.0000	7.0000	20.0000	15.0000	**16.5833**
OPS - Fiscal	2.0000	28.0000	45.0000	20.0000	4.0000	2.0000	18.0000	7.0000	11.4286	8.3333	**16.5086**
EIO - Portfolio Opportunities	3.0000	34.0000	30.0000	12.0000	8.0000	2.0000	27.6000	7.0000	11.4286	9.1667	**15.8386**
TL - Earlly Childhood Strategy	2.5000	28.0000	24.0000	16.0000	9.3333	6.0000	20.4000	7.0000	21.4286	20.0000	**15.7269**
OPS - Operational Quality	3.0000	26.0000	33.0000	4.0000	4.0000	2.0000	22.8000	7.0000	20.0000	21.6667	**15.1900**
TL - Early Childhood Operations	2.2500	10.0000	45.0000	12.0000	9.3333	4.0000	19.2000	12.6000	12.8571	8.3333	**15.0550**
TL - School Improvement	2.2500	10.0000	45.0000	12.0000	9.3333	4.0000	19.2000	12.6000	12.8571	8.3333	**15.0550**
CCR - Postsecondary Readiness	3.0000	24.0000	27.0000	12.0000	9.3333	10.0000	9.6000	7.0000	14.2857	15.0000	**14.6990**
LPW - Legislative Affairs	3.0000	24.0000	9.0000	4.0000	4.0000	2.0000	26.4000	7.0000	37.1429	15.0000	**14.6729**
OPS - Food & Nutrition	2.0000	14.0000	45.0000	16.0000	4.0000	2.0000	13.2000	11.2000	11.4286	5.0000	**14.3926**
SSR - School System Support	2.0000	34.0000	27.0000	12.0000	4.0000	5.0000	16.8000	7.0000	11.4286	15.0000	**14.1886**
TL - Assessments, Accountability, Analytics	3.0000	40.0000	9.0000	12.0000	6.6667	5.0000	20.4000	12.6000	14.2857	21.6667	**14.1744**
EIO - Student Well-being	3.0000	28.0000	9.0000	16.0000	9.3333	2.0000	21.6000	7.0000	21.4286	15.0000	**13.5319**
OPS - Communications	3.0000	22.0000	9.0000	4.0000	4.0000	2.0000	26.4000	7.0000	31.4286	20.0000	**13.4986**
TL - Initiatives	3.0000	28.0000	9.0000	4.0000	4.0000	4.0000	20.4000	7.0000	25.7143	21.6667	**12.8843**
SSFS - School System Financial Support	2.0000	14.0000	36.0000	4.0000	4.0000	4.0000	14.4000	7.0000	12.8571	5.0000	**12.1371**
OPS - Federal Programs & Grantee Relations	2.0000	28.0000	9.0000	20.0000	4.0000	4.0000	19.2000	7.0000	12.8571	5.0000	**11.9371**
TL - Academic Content	3.0000	26.0000	9.0000	16.0000	9.3333	2.0000	19.2000	7.0000	10.0000	15.0000	**11.2033**
LSDVI	3.5000	26.0000	9.0000	20.0000	9.3333	2.0000	10.8000	7.0000	11.4286	5.8333	**10.9369**
CCR - Pathway Inititatives & Readiness Support	3.0000	18.0000	9.0000	4.0000	4.0000	2.0000	19.2000	7.0000	18.5714	5.0000	**10.6514**
TL - Literacy	3.0000	20.0000	9.0000	14.0000	4.0000	4.0000	22.8000	7.0000	11.4286	11.6667	**10.5986**
OPS - Human Resources	2.0000	16.0000	9.0000	4.0000	4.0000	2.0000	18.0000	7.0000	17.1429	5.0000	**9.5429**
SSR - Excellent Educators	3.0000	18.0000	9.0000	4.0000	4.0000	2.0000	15.6000	7.0000	14.2857	18.3333	**9.1557**
CCR - Foundation Years	2.5000	16.0000	9.0000	4.0000	4.0000	5.0000	13.2000	7.0000	11.4286	8.3333	**9.1036**
SSD	2.0000	8.0000	9.0000	20.0000	4.0000	2.0000	10.8000	7.0000	11.4286	5.0000	**8.1486**

Acronyms

CCR - College & Career Readiness
EIO - Equity, Inclusion, Opportunities
LPW - Legislative Affairs, Poliicy, & Workforce Support
OPS - Operations
SSFS - School System Financial Services
SSR - School System Relations
TL - Teaching & Learning
LSDVI - LA School for Deaf & Visually Impaired
SSD - Special School District

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

Agency/Office/Division/Section	Survey — Overall Score	Funding — Total	Positions/Staff Size — Total T.O.'s per HR	Findings (X)	Finding Type	Media Issues - Risk Impact	Management Concerns Impact	Final Risk Assessment
TL - Educator Development	17.4809	1,927,000				Medium	Medium	High
CCR - Quality Diplomas	16.6151	-	"			Medium	Medium	High
LPW - Healthy Communities	16.5833	1,164,009	11			Medium	Medium	High
OPS - Fiscal	16.5086	29,693,322	"	X	9	Low	Low	Medium
EIO - Portfolio Opportunities	15.8386	1,486,998	10			Low	Low	Low
TL - Earlly Childhood Strategy	15.7269	750,000	"			Low	Low	Low
OPS - Operational Quality	15.1900	2,000,000	36			Low	Low	Low
TL - Early Childhood Operations	15.0550	40,794,789	6	X	5	Medium	Medium	Medium
TL - School Improvement	15.0550	33,733,227	"			High	Medium	Medium
LPW - Legislative Affairs	14.6729	185,642	15			Low	Low	Low
OPS - Food & Nutrition Services	14.3926	279,417,756				High	Medium	Medium
SSR - School System Support	14.1886	5,480,096	27			Low	Low	Low
TL - Assessments, Accountability, Analytics	14.1744	35,421,848		X	2	Medium	Medium	Medium
EIO - Student Well-being	13.5319	2,651,424	12	X	5	Medium	Medium	Medium
OPS - Communications	13.4986	814,043	"			Low	Low	Low
TL - Initiatives	12.8843	-				Low	Low	Low
SSFS - School System Financial Support	12.1371	4,060,576,884				High	Low	Low
OPS - Federal Programs & Grantee Relations	11.9371	1,302,655,781	"	X	5	High	Medium	Medium
TL - Academic Content	11.2033	5,596,556				Medium	Medium	Medium
LSDVI	10.9369	25,934,376	241			Medium	Medium	Medium
CCR - Pathway Inititatives & Readiness Support	10.6514	-	"			Low	Low	Low
TL - Literacy	10.5986	2,061,500	302			Medium	Medium	Medium
OPS - Human Resources	9.5429	530,013	"	X	9	Low	Low	Low
SSR - Excellent Educators	9.1557	3,290,830	10			Low	Low	Low
CCR - Foundation Years	9.1036	4,097,366	18			Medium	Low	Low
SSD	8.1486	9,758,280	97			Medium	Medium	Medium
EIO - Recovery School District	-	161,358,223	11			Medium	Medium	Medium
		$ 6,009,452,963	**670**					

ACRONYM LEGEND

CCR - College & Career Readiness
EIO - Equity, Inclusion, Opportunities
LPW - Legislative Affairs, Poliicy, & Workforce Support
OPS - Operations
SSFS - School System Financial Services
SSR - School System Relations
TL - Teaching & Learning
LSDVI - LA School for Deaf & Visually Impaired
SSD - Special School District
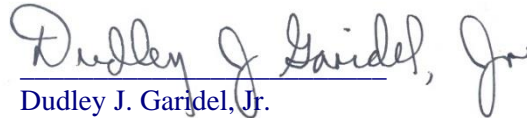
NOTES:

Executive Office, HR, and Internal Audit not included. Total = 23
Call Center included in ECOps
Public Affairs included in LPW
RSD employees are all Unclassified, Non-T/O
CCR budget amounts included as part of Foundation Years
TL-Initiatvies budget included in TL-Educator Development

AUDITOR LEGEND

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

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.

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