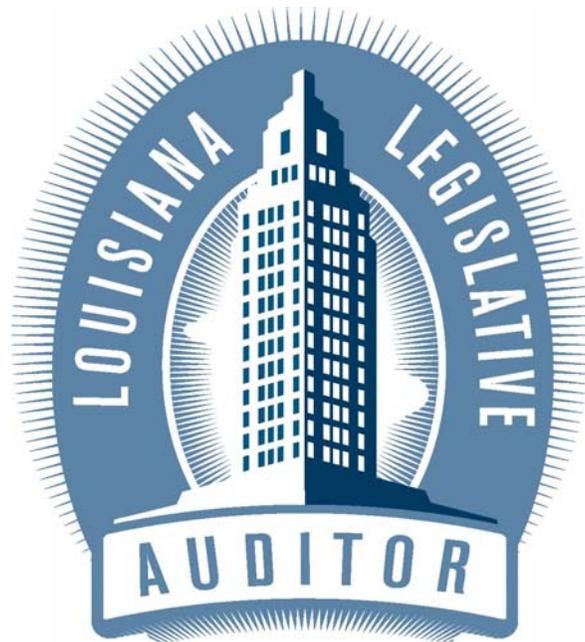


DEPARTMENT OF EDUCATION

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES

MANAGEMENT LETTER

JANUARY 22, 2020

**LOUISIANA LEGISLATIVE AUDITOR
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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.30. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3343 or Report ID No. 80190072 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of Education



January 2020

Audit Control # 80190072

Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit Report of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at the Department of Education (DOE) to provide assurances on financial information that is significant to the state's CAFR; evaluate the effectiveness of DOE's internal controls over financial reporting and compliance; and determine whether DOE complied with applicable laws and regulations.

Results of Our Procedures

Current-year Finding

Internal Audit Deficiencies

DOE's Bureau of Internal Audit (BIA) did not fully comply with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Standards) as required by state law due to a lack of controls to ensure compliance. Our procedures disclosed the following:

- The BIA did not perform a risk assessment on an annual basis as required by the Standards and did not include all significant areas of the department, such as Information Technology, the Recovery School District, and the Special School District, in its risk assessment. The Standards require that the internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually, and that the chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization and establish a risk-based plan to determine the priorities of the internal audit activity. Currently, the BIA performs a documented risk assessment every five years. Failure to assess risks on an annual basis and consider all significant areas of the department in the risk assessment process can result in risks to the department being overlooked and not properly addressed.
- BIA policies and procedures do not fully align with the current Standards and do not reflect current practices. The Standards require that the chief audit executive establish policies and procedures to guide the internal audit activity. BIA's Operational and

Administrative Manual does not contain procedures for key processes including the development of the annual risk assessment and annual audit plan. Without standard procedures in place, internal audit staff may not be aware of the correct procedures to use when conducting audit engagements, which could result in noncompliance with the Standards and state law.

Management should establish controls to ensure that the BIA Operational and Administrative Manual is updated to reflect current practices and ensure that the updated policies and procedures conform to the Standards. In addition, management should establish controls to ensure risk assessments are performed and documented on an annual basis and all significant areas of the department are considered in the risk assessment process. Management concurred with the finding and provided a plan of corrective action (see Appendix A).

Comprehensive Annual Financial Report - State of Louisiana

As a part of our audit of the CAFR for the year ended June 30, 2019, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Agency 681 - Subgrantee Assistance

- Federal revenues
- Expenditures

Agency 695 - Minimum Foundation Program (MFP)

- Expenditures

Based on the results of these procedures, we reported a finding related to Internal Audit Deficiencies, as described previously. In addition, the account balances and classes of transactions tested are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on DOE's major federal programs, as follows:

- Child and Adult Care Food Program (CFDA 10.558)
- Preschool Development Grants (CFDA 84.419)

- Temporary Assistance for Needy Families (CFDA 93.558)
- Child Care and Development Fund Cluster (CFDA 93.575, 93.596)

Those tests included evaluating the effectiveness of DOE’s internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether DOE complied with applicable program requirements. In addition, we performed procedures on information submitted by DOE to the Division of Administration’s Office of Statewide Reporting and Accounting Policy for the preparation of the state’s Schedule of Expenditures of Federal Awards (SEFA), as required by Uniform Guidance.

DOE’s information submitted for the preparation of the state’s SEFA is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using DOE’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from DOE’s management for any significant variances. We also prepared an analysis of the MFP formula expenditures and weighted membership counts over the last five fiscal years, and federal program expenditures for state fiscal year 2019.

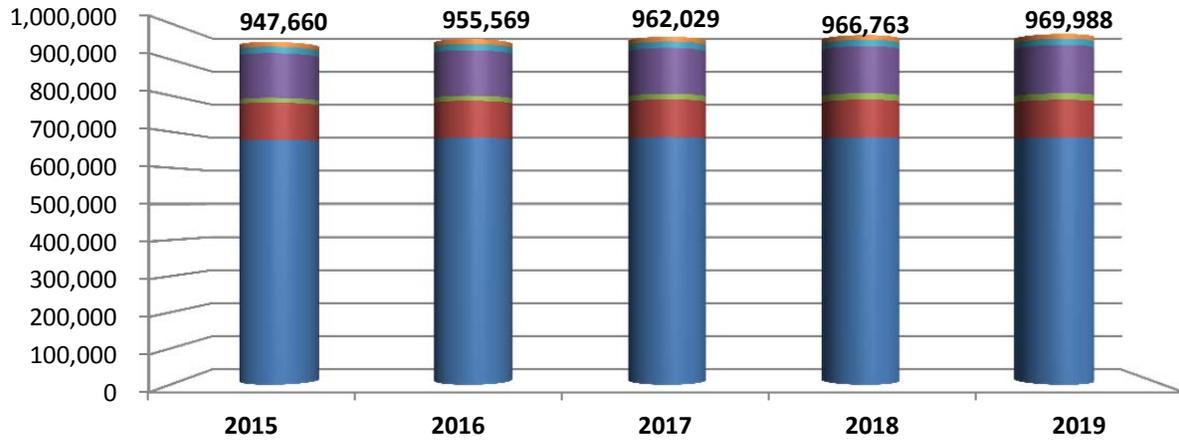
As shown in Exhibit 1 and Exhibit 2, MFP formula expenditures have increased by 2% over the past five fiscal years, which can be attributed to a 2% increase in the total number of students funded by the formula.

**Exhibit 1
MFP Formula Expenditures**



Source: Fiscal Year 2015-2019 Annual Fiscal Reports

**Exhibit 2
MFP Total Weighted Membership Count**

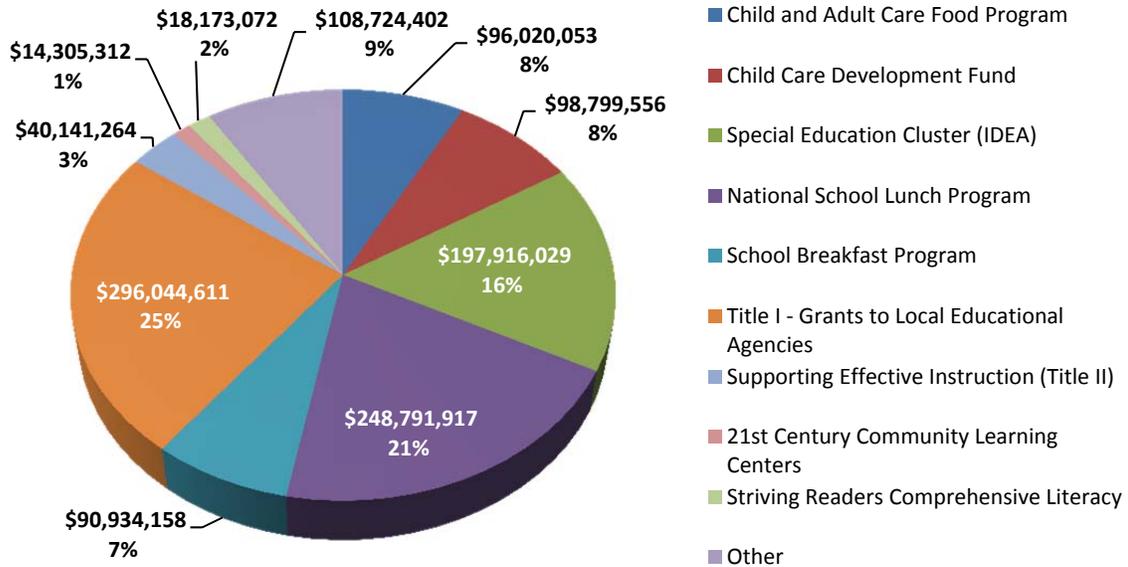


	2015	2016	2017	2018	2019
■ Economy of Scale Weight Factor	13,162	13,149	13,137	13,178	13,159
■ Gifted and Talented Weight (60%)	17,713	17,801	17,648	17,533	17,257
■ Special Education Weight (150%)	123,435	125,532	126,989	129,965	133,796
■ Career & Technical Weight (6%)	13,240	14,032	15,476	17,762	17,874
■ Low Income and/or English Language Learner Weight (22%)	101,540	101,932	103,981	103,825	103,935
■ February 1 Student Membership Count	678,570	683,123	684,798	684,500	683,967

Source: Fiscal Year 2015-2019 MFP Budget Letter

As shown in Exhibit 3, 69% of DOE’s federal program expenditures in fiscal year 2019 were used to fund education for children from low-income families (25%), children with disabilities (16%), and nutritionally-balanced breakfast and lunches for children (28%).

Exhibit 3
Fiscal Year 2019 Federal Expenditures, by Program
Total: \$1,209,850,374



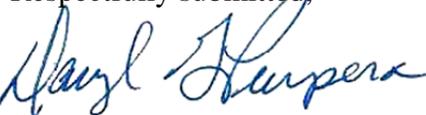
Source: Fiscal Year 2019 ISIS Data

Other Reports

On October 10, 2018, a report was issued by the Legislative Auditor’s Performance Audit Services on DOE’s regulation of child care providers. This report is available on the Legislative Auditor’s website at www.lla.la.gov.

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of DOE. The nature of the recommendation, its implementation costs, and its potential impact on the operations of DOE should be considered in reaching decisions on courses of action. The finding related to compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

APPENDIX A: MANAGEMENT'S RESPONSE



LOUISIANA DEPARTMENT OF EDUCATION

October 1, 2019

Mr. Daryl Purpera, CPA, CFE,
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

The Louisiana Department of Education (LDE) has received the reportable audit finding, "Internal Audit Deficiencies," dated September 18, 2019. The LDE concurs with the finding and will take the following corrective actions:

- As stated to your representatives, the Bureau of Internal Audit (BIA) had already begun the process of updating its audit manual in FY2019. The manual will be completely updated in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Standards) within the next 120 days.
- The BIA will conduct documented annual risk assessments of all significant areas of the LDE starting with its next annual planning cycle for FY2021.
- LDE management will provide extra monitoring of the BIA regarding the timely completion of the audit manual update. Plans and timelines will be established to ensure the risk assessment is prepared annually going forward.

Dudley J. Garidel, Jr. CPA, Director of Internal Audit, is the contact person responsible for these corrective actions. Please contact him with any questions related to this response at 225-342-3706.

Sincerely,

John White
State Superintendent of Education

Louisiana Believes

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Education (DOE) for the period from July 1, 2018, through June 30, 2019, to provide assurances on financial information significant to the State of Louisiana's Comprehensive Annual Financial Report (CAFR) and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the CAFR and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated DOE's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to DOE.
- Based on the documentation of DOE's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the CAFR.
- We performed procedures on the following federal programs for the year ended June 30, 2019, as a part of the 2019 Single Audit:
 - Child and Adult Care Food Program (CFDA 10.558)
 - Preschool Development Grants (CFDA 84.419)
 - Temporary Assistance for Needy Families (CFDA 93.558)
 - Child Care and Development Fund Cluster (CFDA 93.575, 93.596)
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using DOE's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DOE's management for significant variances.

The purpose of this report is solely to describe the scope of our work at DOE, and not to provide an opinion on the effectiveness of DOE's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review DOE's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. DOE's accounts are an integral part of the state of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.