

SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS For the Year Ended 6/30/06

INTERNAL AUDIT REPORT

Audit Control Number 08-01
April 17, 2008



Issued: April 17, 2008

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 to other officials as appropriate or required by law. A copy of this report is available for public inspection in the Bureau of Internal Audit at the Louisiana State Department of Education.

EXECUTIVE SUMMARY

The State Department of Education (SDE) performs certain cognizant agency functions related to school board single audits in the State of Louisiana. As part of its responsibilities, the SDE performs desk reviews of selected school board single audit reports. The audit reports are prepared by independent certified public accountants and forwarded to the SDE for review. The review is performed to determine compliance with Office of Management and Budget (OMB) Circular A-133 and other regulatory guidelines. Listed below is a summary of significant or notable findings relative to school board audits (details begin on page 2).

Noncompliance with State Laws and Regulations (page 2)

- Movable Property Accounting
- Timely Audit Report
- Donation/Gift of Public Funds
- Louisiana Budget Act
- Accounting for School Activity Funds
- Public Bid Law
- Seventy Percent Instructional Expenditures
- Uniform Unclaimed Property Act
- Agreed Upon Procedures
- Collateralized Bank Deposits
- Funds for Vocational Programs

Noncompliance with Federal Laws and Regulations (page 5)

- Title I
- Timely Reimbursement Claims
- Cash Management
- Davis-Bacon Act
- Office of Management and Budget Circular A-87
- Office of Management and Budget Circular A-110 ("Common Rule")
- School Food Service
- IDEA/Special Education
- Maintenance of Effort
- Suspended/Debarred Vendors

Other Significant Audit Findings (page 7)

- Accounting Function/System Other Weaknesses

SIGNIFICANT FINDINGS NOTED

For the year ended June 30, 2006, significant audit findings and the school boards associated with those findings of noncompliance or internal control weakness are as follows:

Noncompliance with State Laws and Regulations

Movable Property Accounting

Louisiana Revised Statutes require public entities to maintain adequate control and accountability over movable property.

<u>11th Consecutive Finding</u> Plaquemines	<u>3rd Consecutive Finding</u> Avoyelles Claiborne	<u>1st Finding</u> Bienville Calcasieu
<u>5th Consecutive Finding</u> St. Helena	East Feliciana Evangeline Lafayette	LaSalle Lincoln Ouachita Webster
<u>4th Consecutive Finding</u> Caddo City of Baker Jackson West Carroll	<u>2nd Consecutive Finding</u> Bossier Madison Vernon	

Timely Audit Report

Louisiana Revised Statute 24:513 requires public and quasi-public organizations receiving state or federal assistance to obtain audit services and submit an audit report within six months from the end of the fiscal year.

<u>5th Consecutive Finding</u> St. Helena	<u>2nd Consecutive Finding</u> Iberville Madison	<u>1st Finding</u> Claiborne Orleans Richland St. James
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Donation/Gift of Public Funds

Article VII, Section 15 of the Louisiana Constitution prohibits public bodies from making gifts or donations of public funds.

<u>9th Consecutive Finding</u> Iberia	<u>4th Consecutive Finding</u> Lafayette
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Louisiana Budget Act

Louisiana Revised Statutes 17:88 and 39:1304-1310 require specific information on the notification, adoption, and amendments of budgets.

<u>3rd</u> Consecutive Finding City of Baker	<u>1st</u> Finding Assumption East Feliciana Franklin Madison	<u>1st</u> Finding (cont') Morehouse Natchitoches Plaquemines Winn
<u>2nd</u> Consecutive Finding Iberville		

Accounting for School Activity Funds

While School Activity Funds are not the property of the school boards, the boards maintain a fiduciary and monitoring responsibility for these funds.

<u>9th</u> Consecutive Finding East Carroll Orleans	<u>3rd</u> Consecutive Finding City of Baker Richland Union	<u>1st</u> Finding Bossier Lafayette LaSalle Lincoln Livingston St. James Winn
<u>5th</u> Consecutive Finding St. Helena	<u>2nd</u> Consecutive Finding Claiborne Morehouse St. Landry	
<u>4th</u> Consecutive Finding Evangeline Rapides		

Public Bid Law

The Public Bid Law outlined in Louisiana Revised Statute 38:2212 mandates certain procedures and requirements for procurement of high-dollar value goods and services.

<u>2nd</u> Consecutive Finding Pointe Coupee	<u>1st</u> Finding Bienville Cameron City of Baker Franklin St. Landry
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Seventy Percent Instructional Expenditures

Louisiana Senate Concurrent Resolution #142 of the 1993 Session requires at least seventy percent of General Fund expenditures be spent for instructional purposes.

<u>4th</u> Consecutive Finding East Carroll	<u>3rd</u> Consecutive Finding Jackson Tensas
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Uniform Unclaimed Property Act

The Uniform Unclaimed Property Act of 1997 (Louisiana Revised Statute 9:151-181) applies to unclaimed property and wages or other compensation for personal services. Abandoned property or wages are to be reported annually and funds equal to the value of the property or wages are to be submitted to the Louisiana Department of Revenue.

2nd Consecutive Finding
Madison

1st Finding
East Feliciana

Agreed Upon Procedures

Certified Public Accountants performing School Board/District Single Audits are required, by Louisiana law (LSA-RS 24.514), to perform certain "agreed upon procedures" when auditing a School Board/District. These procedures are related to School Board Performance and Statistical Data and are not normally part of an audit. The procedures are intended to assist users in evaluating management's assertions about performance and statistical data and determine whether specified schedules are free of obvious errors and/or omissions.

4th Consecutive Finding
Calcasieu

2nd Consecutive Finding
Bienville

1st Finding
Ascension

3rd Consecutive Finding

Avoyelles
Bossier
East Carroll
St. Landry
St. Tammany
Washington
West Carroll

City of Baker
City of Monroe
Claiborne
Franklin
Jackson
Lafourche
Lincoln
Orleans
Pointe Coupee
Terrebonne

Assumption
Concordia
DeSoto
East Baton Rouge
Jefferson Davis
Morehouse
Rapides
Red River
St. Helena
West Feliciana
Winn

Collateralized Bank Deposits

Louisiana Revised Statutes 39:1211-1235 require bank deposits of public entities be fully secured at all times.

2nd Consecutive Finding
City of Baker
Iberville

1st Finding
Ascension
Franklin
Jackson
Union

Failure to Allocate Funds for Vocational Programs

Louisiana Revised Statute 17:181 requires school boards to allocate funds for each student in a vocational program.

1st Finding
Evangeline

Noncompliance with Federal Laws and Regulations**Title I**

This federal award provides funds to enable school districts to improve education in schools.

1st Finding
Calcasieu
Cameron
Vernon
Winn

Timely Reimbursement Claims

The Code of Federal Regulations requires claims on federal awards be paid on a reimbursement basis. School districts are required to use general fund resources to pay costs of federal programs. The general fund receives refunds through the reimbursement process and must submit reimbursement claims in a timely manner in order to avoid causing a significant loss in interest revenue to the school board's general fund.

1st Finding
City of Baker
St. Landry

Cash Management

Federal regulations require entities receiving federal funds to establish reasonable procedures to manage federal cash balances and disbursements.

1st Finding
Claiborne

Office of Management and Budget Circular A-87

This federal circular establishes certain administrative requirements for federal awards, which include, but are not limited to, allowable costs, accounting record requirements, and allocation of time to federal awards.

1st Finding
City of Baker
Lafayette
Orleans
Pointe Coupee

Office of Management and Budget Circular A-110 ("Common Rule")

This federal circular provides standards for obtaining consistency and uniformity among Federal agencies in administering grants and agreements with institutions of higher education, hospitals, and other nonprofit organizations.

1st Finding
Pointe Coupee

School Food Service

This federal award provides funding to meet the nutritional requirements of eligible school children.

3rd Consecutive Finding
Lafayette

1st Finding
East Feliciana

IDEA/Special Education

This federal award provides the special education and related services needed to make a free appropriate public education available to all eligible children.

1st Finding
Caldwell
St. James

Maintenance of Effort

Certain federal programs require a continued minimum level of funding based on expenditures in previous year(s), depending on the program.

1st Finding
Cameron

Suspended/Debarred Vendors

Under OMB Circular A-113, an entity is prohibited from contracting with vendors which have been suspended or debarred from conducting business with federal award programs. The entity must certify the vendor is not suspended or debarred from transactions expected to equal or exceed \$25,000.

1st Finding
East Feliciana
Lafayette
Orleans

Hurricane Education Recovery Act (HERA)

This Federal act was designed to aid in recovery efforts related to Hurricanes Katrina and Rita. The following failed to comply with one or more provisions related to this act.

1st Finding
Calcasieu
East Baton Rouge
Iberia
Orleans
Pointe Coupee

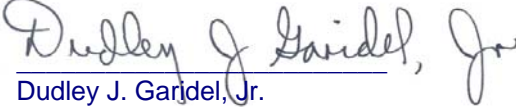
Other Significant Audit Findings**Accounting Function/System Weaknesses**

- Ascension 1st Finding
• Inadequate documentation for certain functions
- Avoyelles 3rd Consecutive Finding
• Inaccurate October 1 student counts
- Bossier 1st Finding
• Inadequate travel expense documentation
- Bienville 1st Finding
• IRS 1099 forms not being issued
- Caddo 1st Finding
• IT control weaknesses related to payroll
- City of Baker 4th Consecutive Finding
• Not maintaining detailed records for time and attendance
- 1st Finding
• Lack of interfund procedures
- City of Bogalusa 3rd Consecutive Finding
• Inadequate payroll fund procedures
- 1st Finding
• No employee manual
- City of Monroe 2nd Consecutive Finding
• Unprepared or untimely bank reconciliations
- Claiborne 1st Finding
Cash receipts not properly documented
- Concordia 2nd Consecutive Finding
• School bus transportation issues
- 1st Finding
• Accounting system records issues
- East Carroll 3rd Consecutive Finding
• Inadequate/incomplete documentation for travel expense transactions
- 1st Finding
• Inadequate payroll procedures
- East Feliciana 1st Finding
• Untimely bank reconciliations
• No disaster recovery plan
• Interfund transactions not reconciled
• Some grant funds have unnecessary fund balances
• Public Records Act violations related to retention of records

<u>Franklin</u>	<u>1st Finding</u> <ul style="list-style-type: none">• School board failed to put sales tax renewal up for a vote
<u>Iberville</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Inadequate/incomplete documentation in certain areas
<u>Lafayette</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• School bus transportation issues• Declining General Fund balance <u>1st Finding</u> <ul style="list-style-type: none">• Inadequate segregation of duties in purchasing function• Purchase orders not used
<u>Livingston</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Governmental Accounting Standards Board (GASB) Statement 45 issues• Policies and procedures should be updated.
<u>Madison</u>	<u>3rd Consecutive Finding</u> <ul style="list-style-type: none">• Certain accounting funds are not properly maintained.
<u>Morehouse</u>	<u>1st Finding</u> <ul style="list-style-type: none">• IRS 1099 forms not being issued
<u>Natchitoches</u>	<u>1st Finding</u> <ul style="list-style-type: none">• New computer system errors
<u>Orleans</u>	<u>5th Consecutive Finding</u> <ul style="list-style-type: none">• Interfund transactions not properly recorded, reconciled, or settled• Inadequate payroll procedures <u>4th Consecutive Finding</u> <ul style="list-style-type: none">• Interfund transactions not properly recorded, reconciled, or settled <u>1st Finding</u> <ul style="list-style-type: none">• Untimely bank reconciliations• Inadequate segregation of duties in the receipts function
<u>Pointe Coupee</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Unprepared or untimely bank reconciliations <u>1st Finding</u> <ul style="list-style-type: none">• Inadequate payroll procedures
<u>St. Helena</u>	<u>5th Consecutive Finding</u> <ul style="list-style-type: none">• Unprepared or untimely bank reconciliations
<u>St. Helena (cont)</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Lack of interim reporting• Inadequate payroll procedures
<u>St. James</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Interfund transactions not properly recorded, reconciled, or settled

- St. Landry 1st Finding
- Interfund transactions not properly recorded, reconciled, or settled
 - Inadequate segregation of duties in some functions
- West Carroll 1st Finding
- IRS 1099 forms not being issued
- Union 1st Finding
- IRS 1099 forms not being issued
- Winn 1st Finding
- Failure to timely complete internal control questionnaires
 - Inadequate segregation of duties in some functions
- Winn 1st Finding
- Inadequate payroll procedures

By provisions of state law, this report is a public document. It has been distributed to appropriate public officials.


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Director of Internal Audit


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