

SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS For the Year Ended 6/30/04

INTERNAL AUDIT REPORT

Audit Control Number 06-05
January 19, 2006



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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.



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January 19, 2006

Board of Elementary and Secondary Education
Mr. Cecil J. Picard, Superintendent of Education
Louisiana Department of Education

Enclosed is the report on significant audit findings for single audits of school boards for the year ended June 30, 2004. If you have any questions, please contact us.

Respectfully submitted,

Dudley J. Gardel, Jr.
Director of Internal Audit

DJGJr

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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 all 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
- Failure to Allocate Funds for Vocational Programs
- Uniform Unclaimed Property Act
- Agreed Upon Procedures
- Collateralized Bank Deposits

Noncompliance with Federal Laws and Regulations (page 4)

- Title I
- Timely Reimbursement Claims
- Cash Management
- Davis-Bacon Act
- Office of Management and Budget Circular A-87
- Common Rule
- School Food Service
- IDEA/Special Education

Other Significant Audit Findings (page 6)

- Accounting Function/System Weaknesses

SIGNIFICANT FINDINGS NOTED

For the year ended June 30, 2003, 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>9th Consecutive Finding</u> Plaquemines | <u>2nd Consecutive Finding</u> Caddo Calcasieu | <u>1st Finding</u> Avoyelles City of Bogalusa |
| <u>7th Consecutive Finding</u> Orleans | City of Baker East Baton Rouge Jackson | Claiborne East Feliciana Evangeline |
| <u>3rd Consecutive Finding</u> St. Helena City of Monroe | Morehouse West Carroll | Iberia Jefferson Lafayette Lafourche St. John the Baptist Union |

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>3rd Consecutive Finding</u> Livingston St. Helena | <u>2nd Consecutive Finding</u> City of Baker Franklin Orleans Tensas | <u>1st Finding</u> City of Bogalusa Lincoln Livingston Morehouse Pointe Coupee Rapides |
|---|---|---|

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>7th Consecutive Finding</u> Iberia | <u>2nd Consecutive Finding</u> Lafayette | <u>1st Finding</u> City of Bogalusa |
|---|--|---|

Louisiana Budget Act

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

1st Finding
 City of Baker
 City of Bogalusa
 East Baton Rouge
 Evangeline
 Franklin

1st Finding (cont'd)
 Jefferson Davis
 Madison
 Morehouse
 Plaquemines
 Pointe Coupee

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.

7th Consecutive Finding
 East Carroll
 Orleans

2nd Consecutive Finding
 Caldwell
 Evangeline
 Rapides

1st Finding
 City of Baker
 City of Bogalusa
 Richland
 Union
 Webster

3rd Consecutive Finding
 St. Helena

St. John the Baptist

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.

1st Finding
 Caddo
 City of Baker
 City of Bogalusa
 East Feliciana

1st Finding (cont'd)
 LaSalle
 Livingston
 Morehouse

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.

4th Consecutive Finding
 Jackson

3rd Consecutive Finding
 Tensas

2nd Consecutive Finding
 East Carroll

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.

2nd Consecutive Finding
 St. Martin

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
Bossier

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 error and/or omissions.

| | | |
|---|---|--|
| <u>2nd Consecutive Finding</u> Calcasieu East Feliciana Jefferson Davis | <u>1st Finding</u> Avoyelles Bossier East Carroll Evangeline Grant Iberia Morehouse | <u>1st Finding (cont')</u> Rapides St. John the Baptist St. Landry St. Tammany Washington West Carroll Zachary Community |
|---|---|--|

Collateralized Bank Deposits

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

2nd Consecutive Finding
Jefferson

Noncompliance with Federal Laws and Regulations

Title I

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

| | | |
|--|---|--|
| <u>3rd Consecutive Finding</u> Caddo | <u>1st Finding</u> City of Baker East Feliciana Franklin LaSalle | <u>1st Finding (cont')</u> Morehouse Orleans St. Landry Zachary Community |
|--|---|--|

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.

6th Consecutive Finding
Orleans

2nd Consecutive Finding
St. Landry

Cash Management

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

2nd Consecutive Finding
Franklin

1st Finding
City of Baker
City of Bogalusa

Davis-Bacon Act

When required by this act, entities receiving federal funds used for construction contracts in excess of \$2000 must pay prevailing wage rates established for that locale by the US Department of Labor.

2nd Consecutive Finding
Washington

1st Finding
Assumption
East Feliciana
Franklin
Grant

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.

2nd Consecutive Finding
East Baton Rouge
East Feliciana
Orleans
St. John the Baptist
St. Tammany

1st Finding
Assumption
East Carroll
Franklin
Iberville
LaSalle
St. James
West Carroll

Office of Management and Budget Circular A-110 (the “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
Iberville

School Food Service

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

2nd Consecutive Finding
Jefferson Davis

1st Finding
Assumption
City of Baker
City of Bogalusa
Lafayette

Special Education-Grants to States

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
East Feliciana
Iberia
LaSalle

Other Significant Audit Findings

Accounting Function/System Weaknesses

Avoyelles

2nd Consecutive Finding

- Some personnel files did not have completed I-9 forms

1st Finding

- Inaccurate October 1 student counts

Claiborne

1st Finding

- Inadequate/incomplete documentation for leave accounts
- Interfund accounts not balanced or reconciled

DeSoto

1st Finding

- Inadequate/incomplete documentation for investment transactions

E. Baton Rouge

1st Finding

- Information technology & environment security improvements needed

- East Carroll 3rd Consecutive Finding
- Unprepared or untimely bank reconciliations
- 1st Finding
- Inadequate/incomplete documentation for travel expense transactions
- East Feliciana 2nd Consecutive Finding
- Amounts due to/from federal program funds not reconciled/settled on a regular basis
- 1st Finding
- Theft of laptop computers from a middle school
- Franklin 1st Finding
- Interfund accounts not balanced or reconciled
 - Unprepared or untimely bank reconciliations
- Iberia 7th Consecutive Finding
- Employees hired before July 1, 1979 received advance salary payments. Advances are now being reduced through attrition.
- 1st Finding
- Retirement expenses not fully accrued
- Iberville 1st Finding
- Lack of segregation of duties in payroll function
- Jefferson 2nd Consecutive Finding
- There is inadequate documentation for some accounts
- 1st Finding
- Inadequate segregation of duties for computer general controls
- Lafayette 1st Finding
- Inadequate documentation related to administering grant awards
- Lafourche 1st Finding
- Inadequate documentation related to health insurance
 - Weaknesses in the computer department
 - Weaknesses in the payroll and personnel functions
- Lincoln 1st Finding
- Unprepared or untimely bank reconciliations
 - Weaknesses in segregation of duties in the payroll function
- Livingston 1st Finding
- Unprepared or untimely bank reconciliations

- Madison
- 2nd Consecutive Finding
 - Unprepared or untimely bank reconciliations
 - 1st Finding
 - Report required by the LA. Dept. of Education was submitted 90 days late
 - Certain accounting funds are not being properly maintained.
- Morehouse
- 2nd Consecutive Finding
 - Inadequate accounting system procedures
 - 1st Finding
 - Interfund accounts not balanced or reconciled
- Orleans
- 5th Consecutive Finding
 - Not keeping adequate documentation to support expenditures
 - Periodic financial reports not prepared during the year
 - 3rd Consecutive Finding
 - Interfund transactions not properly recorded, reconciled, or settled
 - 2nd Consecutive Finding
 - Inadequate internal control related to accounts payable disbursements
 - Routine general ledger reconciliations to cash and other accounts not performed
 - Excessive journal entries due to poor procedures
 - Unprepared or untimely bank reconciliations
 - Inadequate segregation of duties for certain functions
- Pointe Coupee
- 1st Finding
 - Inadequate cash basis accounting system
- St. Helena
- 2nd Consecutive Finding
 - No written procedures for budget, payroll, capital assets, cash, and computers
 - Unprepared or untimely bank reconciliations
 - 1st Finding
 - Inadequate documentation for cash disbursements
- Tangipahoa
- 1st Finding
 - Theft of sales tax collections resulting from collusion by two employees
- Vernon
- 1st Finding
 - Inadequate/incomplete documentation for investment transactions
 - Inadequate storage of computer back-up tapes
- West Carroll
- 1st Finding
 - Inadequate documentation related to mail-room procedures

City of Baker2nd Consecutive Finding

- Not maintaining detailed records for accrual of annual/sick leave liability
- Not maintaining detailed records for time and attendance

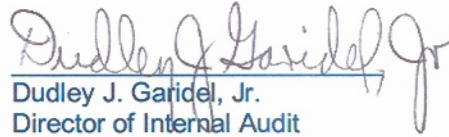
1st Finding

- Unprepared or untimely bank reconciliations
- Inadequate segregation of duties for certain functions
- Ineffective internal control related to payroll and human resource functions
- Failure to establish debt service funds
- Deficiencies in the investment process
- Deficient interim reporting process
- Inadequate procurement and disbursement functions
- Failure to analyze and reconcile certain general ledger accounts

City of Bogalusa1st Finding

- Unprepared or untimely bank reconciliations
- Inadequate insurance coverage
- Inadequate documentation for expenditures
- Inadequate procedures for cash disbursements
- Inadequate interim financial reporting
- Inadequate payroll fund procedures
- Inadequate procurement procedures
- Inadequate accounting for certain funds
- Inadequate cash management for certain funds

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


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Director of Internal Audit


Jewell A. Reid, CIA
Audit Supervisor