

# SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS For the Year Ended 6/30/03

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## INTERNAL AUDIT REPORT

Audit Control Number 05-02  
January 20, 2005



Issued: January 20, 2005

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

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January 20, 2005

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, 2003. If you have any questions, please contact us.

Respectfully submitted,

Dudley J. Garidel, Jr.  
Director of Internal Audit

DJGJr

Distribution:

Board of Elementary and Secondary Education (11)  
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Office of the Legislative Auditor  
Office of the State Inspector General

## 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
- Collateralized Bank Deposits
- 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

### 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

### Other Significant Audit Findings (page 6)

- Accounting Function/System Weaknesses
- Insurance Coverage

## **SIGNIFICANT FINDINGS NOTED**

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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.

9<sup>th</sup> Consecutive Finding  
Franklin

3<sup>rd</sup> Consecutive Finding  
St. Landry

1<sup>st</sup> Finding

Acadia  
Avoyelles  
Bossier  
Caddo

8<sup>th</sup> Consecutive Finding  
Plaquemines

2<sup>nd</sup> Consecutive Finding  
Bienville

City of Baker  
Iberia

6<sup>th</sup> Consecutive Finding  
Orleans

Madison  
St. Helena

Morehouse  
Rapides  
West Carroll

#### **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.

2<sup>nd</sup> Consecutive Finding  
Livingston  
St. Helena

1<sup>st</sup> Finding  
Bienville  
City of Baker  
East Carroll  
Franklin  
Orleans  
Tensas

#### **Collateralized Bank Deposits**

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

2<sup>nd</sup> Consecutive Finding  
Franklin

1<sup>st</sup> Finding  
Acadia  
Avoyelles  
Jackson  
Plaquemines  
St. Martin  
Vernon

### Louisiana Budget Act

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

2<sup>nd</sup> Consecutive Finding  
St. Helena

1<sup>st</sup> Finding  
Caddo  
LaSalle

### 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.

6<sup>th</sup> Consecutive Finding  
East Carroll  
Orleans

2<sup>nd</sup> Consecutive Finding  
St. Helena

1<sup>st</sup> Finding  
Acadia  
Evangeline  
Plaquemines  
St. John

### 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.

1<sup>st</sup> Finding  
Evangeline

### 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.

3<sup>rd</sup> Consecutive Finding  
Jackson

2<sup>nd</sup> Consecutive Finding  
Tensas

1<sup>st</sup> 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.

1<sup>st</sup> Finding  
Grant  
Jefferson Davis  
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.

1<sup>st</sup> Finding  
Bossier

## **Noncompliance with Federal Laws and Regulations**

### **Title I**

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

2<sup>nd</sup> Consecutive Finding  
Caddo

### **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.

5<sup>th</sup> Consecutive Finding  
Orleans

2<sup>nd</sup> Consecutive Finding  
Morehouse

1<sup>st</sup> Finding  
Grant  
LaSalle  
St. Landry

### **Cash Management**

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

1<sup>st</sup> Finding  
Franklin

### **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.

1<sup>st</sup> Finding  
Washington

### **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.

1<sup>st</sup> Finding  
East Baton Rouge  
East Feliciana  
Jefferson Davis  
Orleans  
St. Helena  
St. John the Baptist  
St. Tammany  
Tangipahoa  
Washington

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

- Avoyelles      1<sup>st</sup> Finding
- Some personnel files did not have completed I-9 forms
  - Incorrect date entered in database for student counts as of 10/1/02
- Bienville      2<sup>nd</sup> Consecutive Finding
- Unprepared or untimely bank reconciliations
- 1<sup>st</sup> Finding
- Inadequate separation of duties for disbursements
- Bossier      1<sup>st</sup> Finding
- Inadequate separation of duties between the payroll and personnel functions. Both payroll and personnel employees can create new employee profiles and change employee data in the system.
  - Unclaimed funds not remitted to the appropriate state agency in accordance with state law
- Concordia      2<sup>nd</sup> Consecutive Finding
- No year-end reconciliation of revenues & expenditures in the financial records to requests for reimbursement from the grantors
- Desoto      1<sup>st</sup> Finding
- Differences between the reported and audited Agreed Upon Procedures
- East Carroll      2<sup>nd</sup> Consecutive Finding
- Unprepared or untimely bank reconciliations
- 1<sup>st</sup> Finding
- Untimely or unposted deposits
- East Feliciana      1<sup>st</sup> Finding
- Amounts due to/from federal program funds not reconciled/settled on a regular basis
- Franklin      1<sup>st</sup> Finding
- Director of Head Start program was paid by the school board and also charged the Head Start program for his time
  - School board is continually assessed IRS penalties for not meeting payroll tax deposit requirements
- Grant      1<sup>st</sup> Finding
- Unprepared or untimely bank reconciliations
  - Check-signing machine is accessible to everyone in the office

- Iberia
- 6<sup>th</sup> Consecutive Finding
- Employees hired before July 1, 1979 received advance salary payments. Advances are now being reduced through attrition.
- 2<sup>nd</sup> Consecutive Finding
- Bank reconciliation indicates \$200,000 difference between bank account and general ledger
- 1<sup>st</sup> Finding
- Problems exist with system for eligibility and claims of reimbursements for students
  - Problems exist with generating the sick leave liability report which creates misstatements
  - Inadequate segregation of duties in the transportation department
- Jefferson Davis
- 1<sup>st</sup> Finding
- Weak supervisory review of General Fund salary changes
- Madison
- 1<sup>st</sup> Finding
- Unprepared or untimely bank reconciliations
- Natchitoches
- 2<sup>nd</sup> Consecutive Finding
- Unprepared or untimely bank reconciliations
- Orleans
- 4<sup>th</sup> Consecutive Finding
- Not keeping adequate documentation to support expenditures
  - Periodic financial reports not prepared during the year
- 2<sup>nd</sup> Consecutive Finding
- Interfund transactions not properly recorded, reconciled, or settled
- 1<sup>st</sup> 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
  - Internal audit employees performing accounting work. There is no internal audit director or adequate staff.
  - Cash management supervisor records transfers, reconciles cash accounts, and has custody of cash documents
- St. Helena
- 6<sup>th</sup> Consecutive Finding
- Year end and monthly interim financial statements not prepared on a timely basis
- 2<sup>nd</sup> Consecutive Finding
- No written procedures for budget, payroll, capital assets, cash, and computers
  - Unprepared or untimely bank reconciliations
- Tensas
- 1<sup>st</sup> Finding
- An employee without a college degree was hired as a teacher based on false information provided to the school board



City of Baker      1<sup>st</sup> Finding

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

City of Bogalusa      1<sup>st</sup> Finding

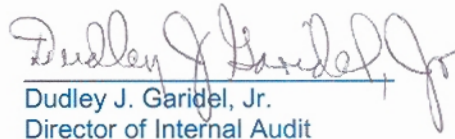
- Two family members hired by the same department

**Insurance Coverage**

For the sixth consecutive year, St. Helena Parish School Board does not have insurance for property or general liability. The school district is only carrying student liability insurance. Sound business practices dictate organizations maintain adequate insurance coverage to reduce exposure to risk.

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

  
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