

SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS For the Year Ended 6/30/01

INTERNAL AUDIT REPORT

Audit Control Number 02-04
August 30, 2002



Issued: August 30, 2002

STATE 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) serves as the cognizant agent for school board single audits in the State of Louisiana. As part of its responsibilities, the SDE is required to perform 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 notable findings relative to school board audits, followed by details beginning on page 2.

Noncompliance with State Laws and Regulations

- Weaknesses in Movable Property Accounting
- Failure to File Timely Audit Reports
- Undercollateralized Bank Deposits
- Violations of Louisiana Budget Act
- Weaknesses in Accounting for School Activity Funds
- Failure to Allocate Funds for Vocational Programs
- Instructional Expenditures Less than Seventy Percent
- Excess Taxes

Noncompliance with Federal Laws and Regulations

- Title I
- School Food Service Program
- Timely Reimbursement Claims
- Class Size Reduction
- Headstart

Other Significant Audit Findings

- Accounting Function/System Weaknesses
- Insurance Coverage

AUDIT REVIEW RESULTS

For the year ended June 30, 2001, notable audit findings and the school boards associated with those findings are as follows:

Noncompliance with State Laws and Regulations

Weaknesses in Movable Property Accounting

Louisiana Revised Statutes require public entities to maintain adequate control over movable property. The following school boards did not comply with the statutes or had internal control weaknesses regarding accountability of movable property.

<u>8th Consecutive Finding</u> Allen	<u>4th Consecutive Finding</u> Avoyelles Bossier	<u>2nd Consecutive Finding</u> Madison
<u>7th Consecutive Finding</u> Franklin	Lafayette Orleans	<u>1st Finding</u> Ascension Rapides
<u>6th Consecutive Finding</u> Plaquemines	<u>3rd Consecutive Finding</u> Pointe Coupee	East Feliciana St. Landry

Failure to File 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. The following school boards did not comply with the requirements:

<u>5th Consecutive Finding</u> St. Landry	<u>1st Finding</u> St. James
---	--

Undercollateralized Bank Deposits

Louisiana Revised Statutes 39:1211-1235 require bank deposits of public entities be fully secured at all times. The following school boards failed to comply:

<u>3rd Consecutive Finding</u> Bienville St. Martin	<u>1st Finding</u> Vermilion Grant
--	---

Violations of Louisiana Budget Act

Louisiana Revised Statutes 17:88 and 39:1304-1310 require specific information on the notification, adoption, and amendments of budgets. The following school boards did not comply with one or more of the requirements:

<u>6th Consecutive Finding</u> Bienville	<u>4th Consecutive Finding</u> Franklin	<u>2nd Consecutive Finding</u> East Feliciana Evangeline Grant Webster
<u>5th Consecutive Finding</u> Morehouse		

Weaknesses in Accounting for School Activity Funds

While School Activity Funds are not the property of the school boards, the boards maintain a fiduciary responsibility over the funds. The following school boards had weaknesses in monitoring School Activity Funds:

6th Consecutive Finding
Plaquemines
Webster

4th Consecutive Finding
East Carroll
LaSalle
Orleans

2nd Consecutive Finding
Bossier
Concordia
Morehouse

1st Finding
Rapides

Failure to Allocate Funds for Vocational Programs

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

2nd Consecutive Finding
Evangeline

1st Finding
Jackson

Instructional Expenditures Less than Seventy Percent

Louisiana Senate Concurrent Resolution #142 of the 1993 Session requires at least seventy percent of General Fund expenditures be spent for instructional purposes. The following school boards did not meet the threshold:

1st Finding
East Carroll
Grant
Jackson

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

This federal award provides funds to enable school districts to improve education in schools. The following school district(s) did not comply with requirements of this award:

1st Finding
Ascension
Desoto
St. Helena
Washington

School Food Service Program

This federal award provides funds to enable school districts to meet the nutritional needs of students. The following school district(s) did not comply with requirements of this award:

2nd Consecutive Finding
St. Landry

1st Finding
Iberia
St. Tammany

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. The following school district(s) did not submit reimbursement claims in a timely manner causing a significant loss in interest revenue to the school board's general fund.

2nd Consecutive Finding
Orleans

1st Finding
St. James

Class Size Reduction

This federal award provides funds to employ additional classroom teachers in order to reduce classroom size in targeted grades or schools. The following school boards did not comply with the requirements of this award:

1st Finding
Orleans

Headstart

This federal award provides funds to enable to school districts to assist preschool at-risk children with beginning learning at an early age. The following school district(s) did not comply with requirements of this award:

1st Finding
Acadia

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

- Allen 10th Consecutive Finding
- Inadequate separation of duties
- 1st Finding
- A one-time retired pay supplement should have been paid from local gaming revenues.
- Ascension 1st Finding
- Accounting staff does not fully understand how to use accounts payable software
 - Accounting department should establish written procedures, instructions, and delegation of duties
- Concordia 1st Finding
- Internal control related to fund collections should be strengthened
 - Request for funds submitted in error
 - Subsidiary sales tax accounts receivable listing did not reconcile to the general ledger control account.
- Iberia 4th Finding
- Employees hired before July 1, 1979 received advance salary payments. Advances are now being reduced through attrition.
- 1st Finding
- Group insurance transactions, except for the General Fund, are not recorded in the school board accounts.
- Orleans 4th Consecutive Finding
- Untimely bank reconciliations
- 2nd Consecutive Finding
- Payroll department not keeping adequate documentation
 - Software general controls are weak
 - Unable to provide a complete list of deposits and investments reconciled to the general ledger balances
 - Periodic financial reports not prepared during the year
- St. Helena 4th Consecutive Finding
- Monthly interim financial statements not prepared
 - No accounting procedures manual
 - Use of manual accounting system
 - Inadequate separation of duties
- St. Landry 4th Consecutive Finding
- Untimely bank reconciliations
- 3rd Consecutive Finding
- Interfund accounts not reconciled
- Winn 1st Finding
- Bookkeeper used \$30,000 of school board funds for personal use

Insurance Coverage

For the fourth 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.

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

Dudley J. Garidel, Jr.
Director of Internal Audit

Charles J. Trahan, CGFM
Audit Supervisor