

# **SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS**

## **For the Year Ended 6/30/2000**

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### **INTERNAL AUDIT REPORT**

Audit Control Number 01-07  
August 31, 2001



Issued: August 31, 2001

**STATE DEPARTMENT OF EDUCATION  
BUREAU OF INTERNAL AUDIT  
Baton Rouge, LA**

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#### **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
- Violation of Public Bid Laws
- Failure to Allocate Funds for Vocational Programs
- Excess Taxes

### Noncompliance with Federal Laws and Regulations

- Title I Comparability
- School Food Service Program
- Violations of OMB Circular A-87
- Class Size Reduction

### Other Significant Audit Findings

- Accounting Function/System Weaknesses
- Insurance Coverage
- Timely Reimbursement Claims

## AUDIT REVIEW RESULTS

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For the year ended June 30, 2000, 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>7<sup>th</sup> Consecutive Finding</u> Allen	<u>4<sup>th</sup> Consecutive Finding</u> Jefferson St. Helena	<u>2<sup>nd</sup> Consecutive Finding</u> Bienville Pointe Coupee St. Martin West Carroll
<u>6<sup>th</sup> Consecutive Finding</u> Franklin	<u>3<sup>rd</sup> Consecutive Finding</u> Avoyelles Bossier East Carroll Lafayette Orleans	
<u>5<sup>th</sup> Consecutive Finding</u> Lincoln Plaquemines Union		<u>1<sup>st</sup> Finding</u> LaSalle Madison

#### **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>4<sup>th</sup> Consecutive Finding</u> St. Landry	<u>1<sup>st</sup> Finding</u> East Feliciana
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#### **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>4<sup>th</sup> Consecutive Finding</u> Richland	<u>2<sup>nd</sup> Consecutive Finding</u> Bienville St. Martin
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#### **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>5<sup>th</sup> Consecutive Finding</u> Bienville	<u>3<sup>rd</sup> Consecutive Finding</u> Franklin	<u>1<sup>st</sup> Finding</u> East Feliciana Evangeline Grant Jefferson Davis Webster
<u>4<sup>th</sup> Consecutive Finding</u> Morehouse	<u>2<sup>nd</sup> Consecutive Finding</u> Red River	

**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:

5<sup>th</sup> Consecutive Finding

Plaquemines  
Union  
Webster

3<sup>rd</sup> Consecutive Finding

Bienville  
East Carroll  
LaSalle  
Orleans

2<sup>nd</sup> Consecutive Finding

Bossier  
Concordia  
Morehouse

**Violation of Public Bid Laws**

The following school boards failed to comply with Public Bid Laws outlined in Louisiana Revised Statute 38:2212:

1<sup>st</sup> Finding

Lincoln

**Failure to Allocate Funds for Vocational Programs**

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

1<sup>st</sup> Finding

Concordia  
Evangeline

**Excess Taxes**

Louisiana Attorney General Opinion 79-328 states only a reasonable amount should be collected over the amount needed for bonded debt service and any surplus should be returned pro rata to the taxpayers. If a return of the surplus is not possible, then the funds can be used for another project similar to the original project. The following school board collected excess taxes in violation of the Attorney General opinion.

2<sup>nd</sup> Consecutive Finding

Bossier

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

A school district may receive Title I funds only if state and local funds will be used in participating schools to provide services which, taken as a whole, are at least comparable to services the school district is providing in schools not receiving Title I funds. The following school districts did not comply with the comparability requirement:

1<sup>st</sup> Finding  
St Landry

**School Food Service Program**

St Landry Parish

Two check runs were backdated which caused cash and accounts payable to be understated, and the accounts payable listings did not balance to the general ledger.

**Violations of OMB Circular A-87**

In September 1995, the Office of Management and Budget issued revised Circular A-87, Cost Principals for State and Local Governments. The Circular addresses several issues, such as time distribution certification, reasonable costs, and improper contributions to reserves. School boards affected by this finding were:

East Baton Rouge

Bossier

**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:

Calcasieu

Richland

**Other Significant Audit Findings****Accounting Function/System Weaknesses**Allen9<sup>th</sup> Consecutive Finding

- Inadequate Separation of Duties

Bienville1<sup>st</sup> Finding

- Payroll contributions not remitted in a timely manner

Iberia1<sup>st</sup> Finding

- Employees hired before July 1, 1979 received advance salary payments. Advances are now being reduced through attrition.

Orleans3<sup>rd</sup> Consecutive Finding

- Untimely bank reconciliation

1<sup>st</sup> Finding

- New software training not adequately provided to employees
- New software general controls are weak
- New software problems caused excessive corrections to payroll
- New software not properly posting labor distribution when payrolls run
- New software problems caused excessive adjustments
- New software problems caused employees to not be paid timely
- Unable to provide a complete list of deposits and investments reconciled to the general ledger balances
- Periodic financial reports not prepared during the year
- Account codes not properly maintained

St. Helena3<sup>rd</sup> Consecutive Finding

- Financial Reporting not prepared monthly
- No accounting procedures manual
- Use of manual accounting system
- Inadequate separation of duties

St. James1<sup>st</sup> Finding

Financial records not reconciled to subsidiary ledgers on monthly basis

St. Landry2<sup>nd</sup> Consecutive Finding

- Interfund accounts not reconciled

1<sup>st</sup> Finding

- Labor distribution incorrectly coded in some programs
- Revenues did not equal expenditures in some programs
- Some checks not approved by Finance Director prior to issue

**Insurance Coverage**

For the third 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.

**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 boards did not submit reimbursement claims in a timely manner causing a significant loss in interest revenue to the school board's general fund.

2<sup>nd</sup> Consecutive  
Orleans

1<sup>st</sup> Finding  
St. James

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Dudley J. Garidel, Jr.  
Director of Internal Audit

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Charles J. Trahan, CGFM  
Audit Supervisor