

SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS

For the Year Ended 6/30/99

INTERNAL AUDIT REPORT

Audit Control Number 00-05
September 1, 2000



Issued: September 1, 2000

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 has been made available for public inspection in the Bureau of Internal Audit at the Louisiana State Department of Education.

September 1, 2000

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

As requested, enclosed is the report on significant audit findings for single audits of school boards for the year ended June 30, 1999. If you have any questions, please contact us.

Respectfully submitted,

Dudley J. Garidel, Jr., CPA
Director of Internal Audit

DJGJr:KPK

Attachment

Distribution:

Board of Elementary and Secondary Education (11)
Mr. Cecil J. Picard, Superintendent
Ms. Carole Wallin, Deputy Superintendent of Education
Ms. Marlyn J. Langley, Deputy Superintendent of Management and Finance
Ms. Mary L. (Weegie) Peabody, Executive Director, BESE
Mr. George Silbernagel, House Appropriations Committee
Mr. Grover C. Austin, Office of the Legislative Auditor
Mr. Bill Lynch, Office of the State Inspector General

EXECUTIVE SUMMARY

The State Department of Education (SDE) serves as the cognizant agent for school boards' single audits in the State of Louisiana. As one of its responsibilities, the SDE is required to perform desk reviews on all school board 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 on page 2.

Noncompliance with State Laws and Regulations

- Weaknesses in Movable Property Accounting
- Failure to File Timely Audit Reports
- Under-collateralized 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
- Altered Time Records

Noncompliance with Federal Laws and Regulations

- Title I Comparability
- School Food Service Program
- Reimbursement claims

Other Significant Audit Findings

- Accounting Function Weaknesses
- Insurance Coverage
- Timely Reimbursement Claims

AUDIT REVIEW RESULTS

For the year ended June 30, 1999, notable audit findings and school boards 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.

6th Consecutive Finding
Allen Parish

3rd Consecutive Finding
Jefferson Parish
St. Helena Parish

1st Finding
Bienville Parish
DeSoto Parish
Pointe Coupee Parish
St. Charles Parish
St. Martin Parish
West Carroll Parish

5th Consecutive Finding
Acadia Parish
Caldwell Parish
East Feliciana Parish
Franklin Parish
St. Landry Parish

2nd Consecutive Finding
Avoyelles Parish
Bossier Parish
Caddo Parish
East Carroll Parish
Jackson Parish
Lafayette Parish
Morehouse Parish
Orleans Parish

4th Consecutive Finding
Lincoln Parish
Plaquemines Parish
Union Parish

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:

3rd Consecutive Finding
St. Landry Parish

2nd Consecutive Finding
Avoyelles Parish

1st Finding
Acadia Parish
City of Bogalusa

Under-collateralized 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:

3rd Consecutive Finding
Richland Parish

2nd Consecutive Finding
Evangeline Parish
Lincoln Parish

1st Finding
Bienville Parish
Caldwell Parish
East Feliciana Parish
St. Martin Parish
West Carroll Parish

Violations of Louisiana Budget Act

Louisiana Revised Statutes 17:88 and 39:1304-1310 provide 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>5th Consecutive Finding</u> Jackson Parish	<u>2nd Consecutive Finding</u> Caldwell Parish Franklin Parish	<u>1st Finding (cont.)</u> Lafourche Parish Ouachita Parish Pointe Coupee Parish Red River Parish Union Parish Vermilion Parish
<u>4th Consecutive Finding</u> Bienville Parish	<u>1st Finding</u> Ascension Parish City of Monroe Iberville Parish	
<u>3rd Consecutive Finding</u> Morehouse Parish		

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:

<u>4th Consecutive Finding</u> Plaquemines Parish Union Parish Webster Parish	<u>2nd Consecutive Finding</u> Bienville Parish East Carroll Parish Grant Parish Jackson Parish LaSalle Parish Madison Parish Orleans Parish St. Landry Parish	<u>1st Finding</u> Acadia Parish Bossier Parish Caldwell Parish Concordia Parish Lincoln Parish Morehouse Parish Richland Parish
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Violation of Public Bid Laws

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

<u>4th Consecutive Finding</u> Assumption Parish	<u>1st Finding</u> Bienville Parish Calcasieu Parish City of Bogalusa Concordia Parish	<u>1st Finding (cont.)</u> Morehouse Parish Plaquemines Parish Vernon Parish Webster Parish
<u>2nd Consecutive Finding</u> Jackson Parish		

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. East Carroll Parish did not satisfy this requirement.

Excess Taxes

Louisiana Attorney General Opinion 79-328 states that 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 boards collected excess taxes.

2nd Consecutive Finding
Jackson Parish

1st Finding
Bossier Parish

Jackson Parish School Board further violated the Attorney General's opinion by spending the excess taxes on non-debt expenditures.

Altered Time Records

An internal investigation by the City of Monroe School Board revealed a supervisor had altered time and attendance records of an employee and diverted activity pay to the employee. This may be a violation of LSA-RS 42, which states "no public employee shall receive anything of economic value for the performance of his duties other than compensation and benefits to which he is duly entitled."

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 that, taken as a whole, are at least comparable to services that the school district is providing in schools not receiving Title I funds. The following school districts did not comply with the comparability requirement:

1st Finding
Bossier Parish
East Carroll Parish
Orleans Parish
Vermilion Parish

School Food Service Program

Assumption Parish

The school lunch program purchased goods from vendors without certifying the vendors had not been suspended or debarred for the second consecutive year.

East Feliciana Parish

The school lunch program made some purchases without purchase orders or the use of the low bid supplier.

Morehouse Parish

Federal guidelines require each school to verify a sample of the current Child Nutrition Program's free and reduced applications. The sample conducted did not meet federal compliance guidelines.

West Carroll Parish

The verifications of free and reduced lunch applications contained errors, resulting in an overclaim.

Reimbursement Claims

The Code of Federal Regulations requires school districts to submit reimbursement claims to receive payment under Federal awards. The following school districts submitted reimbursement in advance of actual payments for the charge.

2nd Consecutive Finding
East Carroll Parish

1st Finding
Bossier Parish
St. Landry Parish

Other Significant Audit Findings**Accounting Function Weaknesses**

<u>Acadia Parish</u>	<u>1st Finding</u> <ul style="list-style-type: none">• No reconciliation performed on interfund receivables/payables
<u>Allen Parish</u>	<u>8th Consecutive Finding</u> <ul style="list-style-type: none">• Inadequate Separation of Duties
<u>Beauregard Parish</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Untimely bank reconciliations
<u>Bienville Parish</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Untimely bank reconciliations
<u>Bossier Parish</u>	<u>4th Consecutive Finding</u> <ul style="list-style-type: none">• Federal Financial Reporting not reconciled <u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Low fund balance in General Fund and Group Hospitalization Plan <u>1st Finding</u> <ul style="list-style-type: none">• Inadequate Separation of Duties• Federal Project Completion Report Not Filed
<u>Calcasieu Parish</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Low fund balance in Self-insurance fund
<u>Concordia Parish</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Lack of documentation for credit card purchases• Internal purchasing policies not followed• Sales tax fund expenses not distributed fairly
<u>DeSoto Parish</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Deficit fund balance in General Fund
<u>East Carroll Parish</u>	<u>4th Consecutive Finding</u> <ul style="list-style-type: none">• No centralized accounting system• Inadequate separation of duties <u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• AFR did not reconcile to Trial Balance• Travel claims paid with no receipts <u>1st Finding</u> <ul style="list-style-type: none">• Untimely bank reconciliations
<u>East Feliciana Parish</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Payroll withholding forms not included in personnel files

Iberia Parish1st Finding

- Note receivable not received or recorded
- Special Education budget not amended to reflect new grant
- Accrued liabilities misstated
- Lease purchases may qualify as capital leases instead of operating leases
- Investment activity materially misstated

Jackson Parish1st Finding

- Paid invoices not marked as received

Morehouse Parish1st Finding

- Federal reimbursement request not reconciled to general ledger
- Untimely bank reconciliation

Orleans Parish2nd Consecutive Finding

- Lack of arbitrage monitoring
- Failure to record worker's compensation benefit payments timely
- Untimely bank reconciliation
- Lack of Information Technology security procedures
- Due to/from accounts not settled timely

1st Finding

- No reconciliation of accounts receivable in special revenue funds
- Transactions posted twice in accounting system
- Lack of availability of board minutes

Rapides Parish1st Finding

- Inadequate separation of duties

St. Helena Parish2nd Consecutive Finding

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

1st Finding

- Interfund accounts not reconciled
- Low General Fund balance

St. John1st Finding

- Bank and interfund account reconciliations performed annually instead of monthly
- Monthly sales tax reports do not reconcile to annual sales tax reports
- Sales tax administrative costs are not allocated timely
- Improper procedures for bank reconciliations

St. Landry3rd Consecutive Finding

- Federal funds not closed out at the end of each program year

2nd Consecutive Finding

- Wages could not be reconciled to payroll accounts on the general ledger
- Untimely bank reconciliation

1st Finding

- Interfund accounts not reconciled

Vernon Parish1st Finding

- Inadequate separation of duties

Insurance Coverage

For the second 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 to be paid on a reimbursement basis. School districts are required to use general fund resources to pay costs of Federal programs. The funds received from Federal awards through the reimbursement process are used to refund the general fund. The following school boards did not submit reimbursement claims for Federal awards in a timely manner, causing a significant loss in interest revenue to the school board's general fund.

2nd Consecutive
Washington Parish

1st Consecutive
Ascension Parish
Bienville Parish
DeSoto Parish
Grant Parish
LaSalle Parish
Morehouse Parish
Orleans Parish

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