

SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS

For the Year Ended 6/30/98

INTERNAL AUDIT REPORT

Audit Control Number 99-09
July 23, 1999



Issued: July 23, 1999

**STATE DEPARTMENT OF EDUCATION
OFFICE OF MANAGEMENT & FINANCE
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.

July 23, 1999

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, 1998. 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

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
- Violations of Louisiana Budget Act
- Under-collateralized Bank Deposits
- Weaknesses in Accounting for School Activity Funds
- Violation of Public Bid Laws
- Instructional Expenditures Less than Seventy Percent
- Failure to Meet Minimum Instruction Time
- Failure to Allocate Funds for Vocational Programs
- Speaking Engagements Performed During Work Hours
- Advance Payments to Employees

Noncompliance with Federal Laws and Regulations

- Violations of OMB Circular A-87
- Title I Program

Other Significant Audit Findings

- School Food Service Program
- Excess Taxes
- Insurance Coverage
- Related Party Transaction

AUDIT REVIEW RESULTS

For the year ended June 30, 1998, notable audit findings and school boards affected were 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.

4th Consecutive Finding

Acadia
Allen
Caldwell
East Feliciana
Franklin
St. Landry

3rd Consecutive Finding

Lincoln
Plaquemines
Union

2nd Consecutive Finding

Calcasieu
Jefferson
St. Helena

1st Finding

Avoyelles
Bossier
Caddo
East Carroll
Jackson
Lafayette
Madison
Morehouse
Orleans
St. John

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:

2nd Consecutive Finding

St. Landry

1st Finding

Avoyelles
East Feliciana

1st Finding (continued)

East Carroll
Jefferson Davis
Orleans
Pointe Coupee

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:

4th Consecutive Finding

Assumption
Bossier
Jackson

3rd Consecutive Finding

Bienville

2nd Consecutive Finding

Morehouse

1st Finding

Caldwell
City of Bogalusa
Franklin

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:

<u>4th</u> Consecutive Finding	<u>1st</u> Finding	<u>1st</u> Finding (continued)
Bossier	Acadia	Lincoln
	Avoyelles	St. Mary
<u>2nd</u> Consecutive Finding	Caddo	Tensas
Richland	Evangeline	Vernon

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>3rd</u> Consecutive Finding	<u>1st</u> Finding	<u>1st</u> Finding (continued)
Plaquemines	Bienville	Lasalle
Union	Caddo	Madison
Webster	Calcasieu	Orleans
	East Carroll	St. John
	East Feliciana	Vermilion
	Grant	Vernon
	Jackson	

Violation of Public Bid Laws

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

<u>3rd</u> Consecutive Finding	<u>1st</u> Finding
Assumption	Caldwell
	East Carroll
<u>2nd</u> Consecutive Finding	Jackson
East Feliciana	Livingston
	Pointe Coupee
	Union

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:

<u>3rd</u> Consecutive Finding	<u>1st</u> Finding
La Salle	East Carroll

Failure to Meet Minimum Instruction Time

In Ponte Coupee Parish, for the second consecutive year, the School of Hope did not meet the minimum instructional time of 330 minutes per day in accordance with Bulletin 741, Louisiana Handbook for School Administrators.

Failure to Allocate Funds for Vocational Programs

Louisiana Revised Statute 17:181 requires school boards to allocate at least fifty dollars per student enrolled at the school in a vocational program for instructional materials and supplies. The following parishes did not satisfy this requirement:

Livingston

St. Tammany

Speaking Engagements Performed During Work Hours

The superintendent of Pointe Coupee Parish conducted speaking engagements during normal work hours without taking leave and charged the school board for travel mileage related to the speaking engagements. Louisiana Revised Statute 17:54 requires superintendents to devote their entire time to the office of superintendent of schools. The superintendent has agreed to reimburse the school system for the travel expenses and reduce his leave for the hours missed while conducting speaking engagements.

Advance Payments to Employees

Article VII, Section 14 of the State Constitution prohibits the donation, loan or pledge of funds, credit, property, or things of value. The following parishes made payments to employees prior to the close of the pay period:

East Feliciana

Iberia

Noncompliance with Federal Laws and Regulations**Violations of OMB Circular A-87**

In September 1995, the Office of Management and Budget issued revised Circular A-87, Cost Principles for State and Local Governments. The Circular addresses several issues, such as time distribution certification, reasonable costs, and contributions to reserves. The following school boards did not comply with Circular A-87:

Time Distribution Certification

East Carroll
Orleans
St. Helena
St. John

Reasonable Costs

Orleans

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. Richland Parish School Board did not comply with the comparability requirement for the second consecutive year.

Other Notable Findings**School Food Service Program****Assumption**

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

Calcasieu

- The school lunch program did not maintain an accurate food inventory.
- Meal costs were overstated by including costs other than food in the cost of lunches.

Jackson

The school lunch program obtained a loan in excess of 90 days without obtaining approval from the State Bond Commission. Article VII, Section 8 of the Louisiana Constitution requires the State Bond Commission approve all indebtedness exceeding 90 days.

Jefferson

The price charged for lunches was not sufficient to cover the cost of the meals. The State Department of Education requires the price of meals should be sufficient to cover the cost of those meals.

Morehouse

Insurance proceeds resulting from theft by an employee were deposited in the general fund although some of the fraudulent expenditures were related to the School Food Service Program.

Orleans

The Child Nutrition Director also served as director of the purchasing department while 100% of her salary was paid from the Child Nutrition Program. The Child Nutrition Director is reviewing the time spent on General Fund activities so her salary and benefits can be shifted to the General Fund.

Excess Taxes

Jackson Parish School Board collected ad valorem taxes in excess of the amount needed for the bonded debt service. 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 school board does not feel the funds can be returned, so they intend to use them for another similar project.

Insurance Coverage

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.

Related Party Transaction

Louisiana Revised Statutes 42:1102 and 42:1112 restrict employees from participating in a transaction in which he has a personal substantial economic interest. In Avoyelles Parish, an employee in a managerial position made purchases of materials and supplies from vendors that he holds an interest.

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

Charles J. Trahan, CGFM
Audit Supervisor