

SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS

For the Year Ended 6/30/97

INTERNAL AUDIT REPORT

Audit Control Number 98-19
June 12, 1998



Issued: June 12, 1998

**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.

June 12, 1998

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, 1997. If you have any questions, please contact us.

Respectfully submitted,

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

DJGJr:HKB:hkb

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. Listed below is a summary of 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
- Improper Student Count for Minimum Foundation Program
- Weaknesses in Written Policies and Procedures

Noncompliance with Federal Laws and Regulations

- Violations of OMB Circular A-87
- Violation of Davis-Bacon Act
- Employees Treated as Contract Labor
- Title I Comparability
- School Nutrition Program

Other Significant Audit Findings

- Caldwell Parish School Board

AUDIT REVIEW RESULTS

For the year ended June 30, 1997, significant audit findings and school boards affected were as follows:

Noncompliance with State Laws and Regulations

Weaknesses in Movable Property Accounting

Louisiana Revised Statutes require a complete and annual inventory of all movable property owned by a public entity. The following school boards did not comply with the statutes by either not taking a physical inventory, not maintaining adequate records, or by failing to reconcile fixed asset inventory to records.

Acadia Parish	Plaquemines Parish
Allen Parish	St. Helena Parish
Caldwell Parish	St. Landry Parish
East Feliciana Parish	Tangipahoa Parish
Franklin Parish	Union Parish
Jefferson Parish	Washington Parish
LaSalle Parish	West Carroll Parish
Lincoln Parish	City of Monroe

Failure to File Timely Audit Report

Louisiana Revised Statute 24:513 requires public and quasi-public organizations receiving state or federal assistance 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:

Ascension Parish	Madison Parish
Caldwell Parish	Morehouse Parish
Jackson Parish	St. Landry Parish
LaSalle Parish	

Violations of Louisiana Budget Act

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

Ascension Parish	Lincoln Parish
Assumption Parish	Morehouse Parish
Bienville Parish	Pointe Coupee Parish
Caldwell Parish	St. Helena Parish
Cameron Parish	Union Parish
Evangeline Parish	City of Monroe
Jackson Parish	

Under-collateralized Bank Deposits

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

Bienville Parish	Richland Parish
Bossier Parish	St. Landry 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:

DeSoto Parish	Richland Parish
Iberia Parish	Union Parish
Plaquemines Parish	Webster Parish
Rapides Parish	Winn Parish
Red River Parish	City of Bogalusa

Violation of Public Bid Laws

The following two parishes failed to comply with the provisions of the Public Bid Laws:

East Feliciana Parish	West Carroll Parish
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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:

LaSalle Parish
Morehouse Parish

Union Parish

Failure to Meet Minimum Instruction Time

In Pointe Coupee Parish, 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. Students in this school only received instructional time of 240 minutes per day.

Improper Student Count for Minimum Foundation Program (MFP)

The school boards are required to submit to the State Department of Education a student membership count as of October 1 of the school year. One school board, Plaquemines Parish, overstated its student count for 1996 by 497 students.

Weaknesses in Written Policies and Procedures

While this is not a noncompliance issue, sound business practices dictate written policies and procedures. The City of Bogalusa School Board either did not have or had weaknesses in policies and procedures in the following areas:

- Investments
- Budgets
- Personnel
- Inventory of Fixed Assets
- Purchase of Capital Assets with Federal Funds
- Accounting

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 improper contributions to reserves. School boards affected by this finding were:

Orleans Parish
St. Helena Parish
St. John Parish

St. Tammany Parish
Washington Parish

Violation of Davis-Bacon Act

The following school boards failed to comply with the Davis-Bacon Act by not ensuring prevailing wages were paid on Federally funded construction contracts:

Richland Parish
St. Charles Parish

St. John Parish

Employees Treated as Contract Labor

Two school boards paid regular employees for work done after hours. These payments were treated as contract labor instead of salaries. This practice is a violation of Internal Revenue Service laws, in that the employer could be held responsible for taxes not withheld. The school boards were:

Caldwell Parish

LaSalle Parish

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. Two school boards did not comply with the comparability requirement at the following schools:

Bienville Parish
Richland Parish

Ringgold and Crawford Elementary
Rayville Junior High

School Nutrition Program

In Calcasieu Parish, an analysis of food service costs indicated significant variances in cost per meal. The results of the analysis revealed planned meals exceeded actual meals consumed. Additionally, a review of the inventory records at selected schools showed differences between calculated and actual monthly ending inventories.

Two school boards, Desoto and Iberia, reported excessive increased spending in school food programs. This resulted in deficit spending for the two districts.

East Carroll Parish was reported to have failed to transfer proper MFP funds to the Child Nutrition Program.

Jefferson Parish provided free meals to school board employees.

The costs of adult meals provided by the City of Bogalusa School Board exceeded the prices charged by approximately \$1.00.

Livingston Parish reported the charges for meals to students were not sufficient to cover the costs of the meals.

Other Significant Findings

Caldwell Parish School Board

In addition to the above findings, Caldwell Parish School Board had several findings concerning improper expenditures. As a result, an investigative audit is being conducted by the District Attorney for Caldwell Parish and the Office of the Legislative Auditor. A summary of these findings is listed below.

1. Payments to the Prior Superintendent.

The prior superintendent received \$9,731 in addition to regular approved salary. Of this amount, \$6,050 was for contract work, \$2,571 for a sales tax supplement, and \$1,110 for undocumented work. No documented time records could be located for the contract work. The sales tax supplement was paid twice to the individual. The prior superintendent has reimbursed the school board \$6,060 of \$9,731 received.

2. Payments to the Assistant Superintendent.

The assistant superintendent received \$20,182 in addition to regular salary for services beyond the duties of the assistant superintendent. This amount includes \$16,500 from Even Start, \$1,845 from 8G workshops, \$420 from Title VI workshops, \$1,100 from Learn workshops and \$317 from Title II

workshops. These payments were for services performed outside the normal work day and were paid at the rate of \$15 an hour. A conservative estimate of time involved approximates 1,000 hours. The assistant superintendent has reimbursed the school board a total of \$2,435.

3. Payments to the Title I Director

The Title I Director was paid \$6,000 for serving as a home-based instructor. No written time records were submitted to support the additional payments.

4. Payments to the Office Manager.

While responsible for payroll preparation, the office manager received \$24,242 in excess of the approved salary. Of this amount, \$23,567 was for additional undocumented work, and \$675 was for excess supplemental sales tax bonus. The office manager resigned November 4, 1997.

5. Questioned Costs.

Total questioned costs of the Even Start Program were \$12,355. In addition, contract payments in the amount of \$34,700 were paid to regular employees of the school board with no time records documented.

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