

SIGNIFICANT AUDIT FINDINGS - SINGLE AUDITS OF SCHOOL BOARDS & CHARTER SCHOOLS

For the Year Ended 6/30/12

INTERNAL AUDIT REPORT

Audit Control Number 14-02
December 4, 2013



Issued: December 4, 2013

LOUISIANA 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, Louisiana State Department of Education.



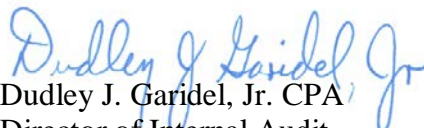
LOUISIANA DEPARTMENT OF EDUCATION

December 4, 2013

Board of Elementary and Secondary Education
Superintendent John White, Superintendent of Education
Louisiana Department of Education

Enclosed is the report on significant audit findings for single audits of school districts and charter schools for the year ended June 30, 2012. Contact us if you have any questions.

Respectfully submitted,


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

DJGJr

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PURPOSE

By an informal verbal agreement with the United States Department of Education (USDOE) Office of Inspector General (OIG), the Louisiana Department of Education (LDE) performs certain functions related to school district and charter school single audits in the State of Louisiana. As part of its responsibilities, the Bureau of Internal Audit (BIA) performs desk reviews of certain of those single audit reports.

The reports are based on audits by independent certified public accountants in accordance with federal and state regulations. The BIA desk review is performed to determine compliance with Office of Management and Budget (OMB) Circulars and other regulatory guidelines.

The following is a listing of significant or notable findings for the year ended June 30, 2012.

Noncompliance with State Laws and Regulations (beginning on page 2)

- Budget Act
- Donation/Gift of Public Funds
- Fixed Asset Accounting /Movable Property
- School Activity Funds

Noncompliance with Federal Laws and Regulations (beginning on page 4)

- * Eligibility
- * Office of Management and Budget (OMB) Circular A-87
- * Special Education/Individuals With Disabilities Education Act (IDEA)
- * Suspended/Debarred Vendors
- * Title I

Charter School Legend

Advocacy	Advocacy for the Arts and Technology
ASME	Advocates for Science and Mathematics Education
Beginnings	New Beginnings Schools Foundation
Broadmoor	Broadmoor Charter School Board Inc.
Crestworth	Crestworth Learning Academy
D'Arbonne	D'Arbonne Woods Charter School
FirstLine	FirstLine Schools
Harney	Edward P Harney Spirit of Excellence Academy
IAE	Institute of Academic Excellence dba Sophie B. Wright Charter School
Intercultural	The Intercultural Charter School Board
KIPP	KIPP New Orleans Inc.
Mays	Benjamin E Mays Preparatory School
Morris Jeff	Morris Jeff Community School
NOCSF	New Orleans Charter School Foundation
Pelican	Pelican Educational Foundation
RENEW	RENEW Charter Management Organization
Singleton	James M Singleton Charter Middle School
Sojourner	Sojourner Truth Academy

SIGNIFICANT FINDINGS NOTED

The BIA believes the findings posing the most risk to the school districts and charter schools are those related to noncompliance with applicable laws and regulations which could result in the recapture of those monies by federal or state government.

For the year ended June 30, 2012, significant audit findings and the school district/system associated with those findings of noncompliance or internal control weakness are as follows:

Noncompliance with State Laws and Regulations

Louisiana Budget Act

Louisiana Revised Statutes 17:88 and 39:1304-1310 require specific information on the notification, adoption, and amendments of budgets. Entities failing to comply are subject to legislative subpoena and possible sanctions.

2nd Consecutive Finding Orleans

Orleans did not provide a 15 day public inspection period prior to adopting its budget. It has designated an individual to ensure future budgets are adopted in accordance with state law.

Donation/Gift of Public Funds

Article VII, Section 15 of the Louisiana Constitution prohibits public bodies from making gifts or donations of public funds. The intent is to prevent the misuse or abuse of public funds.

3rd Consecutive Finding St Landry

St Landry made improper loans to certain board members in the form of excess insurance premiums which have been outstanding for several fiscal periods. The issue was unresolved and ongoing as of June 30, 2012.

Fixed Asset Accounting/ Movable Property

Louisiana Revised Statutes require public entities to maintain adequate control and accountability over movable property. The inability of an entity to properly account for such assets might lead to an unfavorable audit opinion for the entity's annual audit.

3rd Consecutive Finding

Webster

2nd Consecutive Finding

Ascension

Central Community

Lafourche

Broadmoor

Webster did not consistently account for construction in progress added to its capital assets listing. The issue was unresolved and ongoing as of June 30, 2012.

Ascension did not implement the capital assets and GASB 34 features of its new accounting software. The issue was unresolved and ongoing as of June 30, 2012.

Central Community had incomplete and/or inaccurate construction project and depreciation expense schedules and documents. The issue was unresolved and ongoing as of June 30, 2012.

Lafourche had approximately \$2.7 million in unrecorded capital assets from years prior to FY 11-12. This was a result of converting to a new capital asset system and not updating policies & procedures or retraining site managers to use the new system. Lafourche updated policies & procedures, instituted training for site managers, and reconciled the reported amounts in the old system in order to resolve the issue.

Broadmoor's internal control system is not adequately designed to ensure adequate safeguarding and protection of its movable property and fixed assets. The issue was unresolved and ongoing as of June 30, 2012.

School Activity Funds

While School Activity Funds are not the property of the LEA, they maintain a fiduciary and monitoring responsibility for these funds. Louisiana Revised Statute 17:414 regulates the management, expenditure of, and accounting for School Activity Funds. The failure to properly maintain these monies might lead to fraud, waste, or abuse of public funds.

All of the school boards listed below had one or more individual schools which did not properly document or account for transactions in that school's activity fund(s). In every case, this was caused by a lack of proper internal control procedures in place at the

affected school(s).

5th Consecutive Finding
Jackson

4th Consecutive Finding
East Carroll
Rapides
Sabine
St Landry
Webster

3rd Consecutive Finding
Lafayette
Richland

2nd Consecutive Finding
Caldwell
Central Community
Union
West Carroll

All school boards indicated steps would be taken to increase internal control at the schools to ensure proper documentation and recording of transactions.

Noncompliance with Federal Laws and Regulations

Federal programs contain various eligibility requirements which must be met in order to allow participation in a program. Such requirements vary depending on the program.

Highly Qualified Teachers

The No Child Left Behind Act [NCLB] requires school boards to ensure all teachers of core academic subjects and paraprofessionals working in a program supported with Title I, Part A funds meet specific qualifications requirements. Noncompliance could lead to recapture of those monies and possible disqualification by the federal government from further participation.

2nd Consecutive Finding
St Mary

St Mary failed to meet these requirements. St Mary is addressing this issue by budgeting funds annually to assist current teachers and paraprofessionals with the costs associated in obtaining necessary credentials to fulfill the highly qualified requirements of the NCLB.

Office of Management and Budget Circular A-87

This federal circular establishes certain administrative requirements for federal awards, which include, but are not limited to, allowable costs, accounting record requirements, and allocation of time to federal awards. Noncompliance could lead to recapture of those monies and possible disqualification by the federal government from further participation.

3rd Consecutive Finding
Broadmoor

Broadmoor's internal control system is not adequately designed to ensure adequate financial reporting and documenting of transactions which take place as part of its normal operations. The issue was unresolved and ongoing as of June 30, 2012.

School Food Service

These federal awards provide funding to meet the nutritional requirements of eligible school children.

2nd Consecutive Finding
Richland

Richland transferred funds from the Child Nutrition Program to the General Fund without proof it was for the direct benefit of the federal program. Richland instituted policies to ensure such a transfer would not occur again.

Suspended/Debarred Vendors

Under the OMB Circular A-133 Compliance Supplement, an entity is prohibited from contracting with vendors which have been suspended or debarred from conducting business with federal award programs. The entity must certify the vendor is not suspended or debarred from transactions expected to equal or exceed \$25,000. Noncompliance could lead to recapture of those monies and possible disqualification by the federal government from further participation.

3rd Consecutive Finding St Landry

St Landry did not verify eligibility of vendors by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration and retaining documents supporting the search. The issue was unresolved and ongoing as of June 30, 2012.

Title I

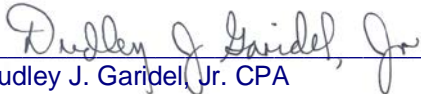
This federal award provides funds to enable school districts/systems to improve the teaching and learning of children failing or most at-risk of failing and meet challenging State academic standards. Noncompliance could lead to recapture of those monies and possible disqualification by the federal government from further participation.

2nd Consecutive Finding LaSalle IAE

LaSalle Title I personnel erroneously changed some formulas in the LDE data collection sheet which caused errors in comparability reporting submitted to the LDE. LaSalle modified policies & procedures to ensure the comparability report is correctly prepared and reviewed before being submitted to the LDE.

IAE has not performed required bank, accounts payable, grant expenditures account reconciliations which significantly delayed the audit process. The entity has restaffed its finance department in an attempt to correct the situation and resolve the finding.

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



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