

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

For the Year Ended 6/30/13

INTERNAL AUDIT REPORT

Audit Control Number 15-01
August 13, 2014



Issued: August 13, 2014

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

August 13, 2014

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, 2013. If you have any questions, please contact us.

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) administers 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 these 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, 2013.

Noncompliance with State Laws and Regulations (page 2)

- Timely Audit Reports
- Donation/Gift of Public Funds
- Fixed Asset Accounting/Movable Property
- Public Bid Law
- School Activity Funds

Noncompliance with Federal Laws and Regulations (page 3)

- Highly Qualified Teachers
- Cash Management
- School Food Service
- Suspended/Debarred Vendors
- Title I

Going Concern (page 5)

Charter School Legend

CSAL	Community School for Apprenticeship Learning
Glencoe	Glencoe Education Foundation, Inc.
Intercultural	The Intercultural Charter School Board
Mays	Benjamin E Mays Preparatory School

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, 2013, 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

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.

2nd Consecutive Finding

CSAL
Glencoe

The audit firm for CSAL experienced unexpected staffing issues at year end and was unable to review the report soon enough to enable timely submission. The audit firm and CSAL will work together to develop procedures to ensure this does not happen again.

Glencoe did not complete its financial report within the time frame required for submitting it to the United States Department of Agriculture (USDA) as specified by the USDA loan conditions. Glencoe will develop procedures to ensure this does not happen in the future.

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.

4th 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, 2013.

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.

4th Consecutive Finding
Webster2nd Consecutive Finding
Richland

Webster did not consistently account for construction in progress added to its capital assets listing. Webster indicated it was not economically feasible to hire additional staff to resolve all of the issue but would attempt to resolve as much of the issue as possible. The issue was unresolved and ongoing as of June 30, 2013.

Richland did not consistently account for construction in progress added to its capital assets listing. Webster indicated it would develop procedures to ensure accurate calculation of construction in progress. The issue was unresolved and ongoing as of June 30, 2013.

Public Bid Law

The Public Bid Law outlined in Louisiana Revised Statute 38:2212 mandates certain procedures and requirements for procurement of high-dollar value goods and services.

2nd Consecutive Finding
East Feliciana

East Feliciana purchased instructional materials in excess of \$30,000 without following the bidding process required by law. East Feliciana considered the vendor to be a sole source provider because it was on a list provided by the State Department of Education. East Feliciana conducted a training program for employees involved in purchasing materials and supplies to clearly define the process in order to comply with state law.

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
Webster4th Consecutive Finding
Lafayette3rd Consecutive Finding
West Carroll

Webster indicated it was not economically feasible to hire additional staff to resolve all of the issue but would attempt to resolve as much of the issue as possible. The issue was unresolved and ongoing as of June 30, 2013.

Lafayette will develop procedures to begin regular audits of school activity funds.

West Carroll indicated steps would be taken to develop a new system for recording receipts.

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.

3rd 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.

Cash Management

Federal regulations require entities receiving federal funds to establish reasonable procedures to manage federal cash balances and disbursements.

2nd Consecutive Finding
Jackson

Jackson erroneously duplicated expenses transferred from an old grant fund to the new fund. This caused the entity to request reimbursement for more funding than it had expended. Jackson indicated it would not change fund numbers in the future in order to address this error.

School Food Service

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

3rd Consecutive Finding
Richland

The audit firm reported Richland did not properly verify the required percentage of School Food Service applications or direct certifications. Richland indicated it did not concur with the finding because the State Department of Education Monitoring Team did not have any issues with Richland's process for verifying this information.

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.

4th 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, 2013.

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 Jackson

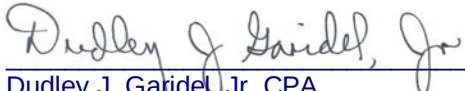
Jackson Title I personnel did not subtract preschool children from the enrollment data to determine which schools were eligible to participate. Jackson has instituted a procedure to ensure this does not occur again.

Going Concern

Audit firms are required by professional audit standards to consider whether the entity being audited is capable of continuing to exist long enough to carry out its objectives and commitments and not liquidate in the near future. Although not technically a violation of any state or federal regulations, the accountant is required to disclose this assessment if there is doubt about the entity's ability to continue to exist. The entity's listed below had such an assessment reported by the public accounting firm for the year audited:

Intercultural
Mays

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