

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

For the Year Ended 6/30/16

INTERNAL AUDIT REPORT

Audit Control Number 18-02
October 18, 2017



Issued: October 18, 2017

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

October 18, 2017

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, 2016. If you have any questions, please contact us.

Respectfully submitted,

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

DJGJr

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Louisiana Believes

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EXECUTIVE SUMMARY

By agreement with the United States Department of Education (USDOE) Office of Inspector General (OIG), the Louisiana Department of Education (LDE) administers some cognizant agency functions related to school district (LEA) and charter school single audits in the State of Louisiana. As part of its assigned responsibilities the Bureau of Internal Audit (BIA) performs desk reviews of certain of these single audit reports. In addition, the BIA compiles a recap of the significant audit findings reported and forwards this information to the Divisions of Education Finance and Federal Resolution Services.

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, 2016.

Noncompliance with State Laws and Regulations (page 2)

- Criminal History Review
- Fixed Asset Accounting/Movable Property
- School Activity Funds
- Fraud/Embezzlement/Theft

Noncompliance with Federal Laws and Regulations (page 4)

- Cash Management
- Highly Qualified Teachers
- School Food Service
- Title I

Entities with repeated findings are noted as such by the Division of Education Finance in its annual risk assessment. These entities are assigned a higher risk rating due to these repeated findings. As a result of a higher risk rating, these entities are more likely to be audited by the Division of Education Finance during its annual audit process.

All reported findings related to federal programs administered by the LDE must be resolved within 180 days of the report issue date. The LDE Office of Federal Resolution Services is responsible to ensure such findings are resolved.

SIGNIFICANT FINDINGS NOTED

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

For the year ended June 30, 2016, 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

Criminal History Review

Criteria: Louisiana Revised Statute 17:15 "Criminal History Review" requires a criminal history review for any applicant or employee of a local school board or nonpublic school or school system. The following entities did not comply with this requirement.

3rd Consecutive Finding

Collegiate Academies

Corrective Action: Collegiate Academies indicated management has implemented a policy in which each school's DFO will collect all completed paperwork, including background checks and submit to the Director of Finance. The Director of Finance will use a checklist to document his review of the background checks to ensure each employee's background check is clear and in compliance with state regulations before an employee is hired.

Fixed Asset Accounting/Movable Property

Criteria: 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

Concordia

3rd Consecutive Finding

Caddo

Concordia

Finding: The School Board's detailed capital asset listing is not being updated for the physical inventories conducted, if any. In addition, the detailed capital asset listing and depreciation schedule is not being reconciled to the general ledger or reviewed timely by appropriate personnel.

Corrective Action: Concordia Parish School Board staff continue to implement steps to ensure depreciation expense will be calculated properly by the program in the future. In addition, a complete physical inventory is planned for the spring of 2017.

Caddo

Finding: It was noted a large property was sold for \$751,000 during the year; however, it was not recorded as being disposed in the fixed asset software. In addition, there were \$3.7 million in transportation equipment disposed of in fiscal years 2013 and 2014 which were not properly removed from the fixed asset register until the current year.

Corrective Action: Management indicate it will work with the schools to take a physical inventory annually. Necessary changes will be reported to the accounting department.

Additional step at the schools will allow the fixed asset clerk access to all assets at their school.

School Activity Funds

Criteria: While School Activity Funds are not the property of the LEA or charter schools, the entity maintains 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.

Finding: The school systems listed below had one or more individual schools which did not properly document or account for transactions in the 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).

<u>8th Consecutive Finding</u> St Landry	<u>3rd Consecutive Finding</u> Caldwell Rapides Vernon	<u>2nd Consecutive Finding</u> Iberville Lafayette Lafourche
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St Landry

Corrective Action: St Landry indicated school activity funds would be monitored more closely and school administrators would be contacted regarding these issues and proper internal control for these funds.

Caldwell

Corrective Action: Caldwell indicated changes in personnel were made at the cited schools and new employees were instructed as to proper procedures to follow.

Rapides

Corrective Action: The Rapides Finance Department conducted a mandatory meeting with principals, assistant principals, and secretaries prior to the opening of school to review the policy handbook and procedures and answer any questions or concerns regarding the guidelines.

Vernon

Corrective Action: All appropriate individual school personnel will be retrained on proper school accounting functions to make sure all policies and procedures are followed correctly and school accounting records will be reviewed on a regular basis.

Iberville

Corrective Action: The Chief Financial Officer and the Account Supervisor will meet with school staff to review the correct procedures for maintaining school accounts properly. We will provide additional training throughout the year to school staff. Procedures will be designed and implemented to provide effective internal control and ensure transactions are properly managed.

Lafayette

Corrective Action: Management indicated audits are conducted of the school activity accounts, training is being conducted, and additional procedures have been developed.

Lafourche

Corrective Action: Management expects to complete the separation of the booster accounts by the end of the 2017fiscal year.

Fraud/Embezzlement/Theft

The following LEA had reported instances of fraud, embezzlement, or theft.

3rd Consecutive Finding

St Landry
St Martin

Noncompliance with Federal Laws and Regulations

Federal programs contain eligibility requirements which must be met in order to allow and/or continue participating in a program. Such requirements vary depending on the program.

Cash Management

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

2nd Consecutive Finding

St James

Finding: Reimbursement requests were not reviewed and approved before submission to the grantor agency.

Corrective Action: St James indicated it has made a personnel change in the position responsible for this duty and is implementing procedures to ensure reimbursement requests are reviewed, approved, and signed off by a programmatic managerial designee prior to submission to the grantor agencies.

Highly Qualified Teachers

Criteria: 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.

6th Consecutive Finding

St Mary

Finding: St Mary Parish failed to ensure individuals working in NCLB programs met specific qualifications.

Corrective Action: 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.

School Food Service

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

2nd Consecutive Finding

Vernon

Finding: Vernon lacked proper internal control over disbursements related to School Food Service.

Corrective Action: All responsible personnel will be instructed and retrained to follow proper procedures and policies on the appropriate handling and coding of invoices and purchase orders. All program supervisors will ensure time certifications are done on all employees and all personnel files contain all the correct documents.

Title I

Criteria: 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.

3rd Consecutive Finding

Jackson

2nd Consecutive Finding

Bossier

Jackson

Finding: Jackson Title I personnel listed preschool students in the Title I targeting calculation in error. In addition, Jonesboro Hodge High School qualified as Title I school but was not offered Title I funding.

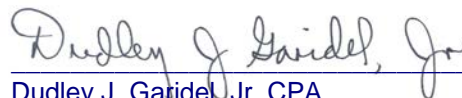
Corrective Action: School board officials stated procedures have been changed to only allow the Business Manager and Superintendent to submit federal and state budgets to the LDE. Supervisors no longer have this authority.

Bossier

Finding: Schoolwide Title I plans had not been updated with the current needs assessment and the annual evaluation of results achieved by the schoolwide program as required by the Title I regulations.

Corrective Action: Separate Directors for the major federal funding areas of Special Education and Title I have been established. The new Title I Director has met with Principals in group settings and will meet individually with each to ensure school improvement plans address strategies to increase parental involvement and contain sufficient detail to determine if the school's Title I funding is spent on addressing specific educational needs identified by the needs assessment and annual evaluation.

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

A handwritten signature in cursive script that reads "Dudley J. Garidel, Jr." is positioned above a horizontal line.

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