

SINGLE AUDITS OF SCHOOL BOARDS SIGNIFICANT AUDIT FINDINGS

For the Year Ended 6/30/05

INTERNAL AUDIT REPORT

Audit Control Number 07-11
April 19, 2007



Issued: April 19, 2007

**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 at the Louisiana State Department of Education.

EXECUTIVE SUMMARY

The State Department of Education (SDE) performs certain cognizant agency functions related to school board single audits in the State of Louisiana. As part of its responsibilities, the SDE performs desk reviews of selected school board single 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 significant or notable findings relative to school board audits (details begin on page 2).

Noncompliance with State Laws and Regulations (page 2)

- Movable Property Accounting
- Timely Audit Report
- Donation/Gift of Public Funds
- Louisiana Budget Act
- Accounting for School Activity Funds
- Public Bid Law
- Seventy Percent Instructional Expenditures
- Minimum Foundation Program
- Uniform Unclaimed Property Act
- Agreed Upon Procedures
- Collateralized Bank Deposits
- General Fund Deficits

Noncompliance with Federal Laws and Regulations (page 5)

- Title I
- Timely Reimbursement Claims
- Cash Management
- Davis-Bacon Act
- Office of Management and Budget Circular A-87
- Office of Management and Budget Circular A-110 ("Common Rule")
- School Food Service
- IDEA/Special Education
- Maintenance of Effort
- Suspended/Debarred Vendors

Other Significant Audit Findings (page 7)

- Accounting Function/System Weaknesses

SIGNIFICANT FINDINGS NOTED

For the year ended June 30, 2005, significant audit findings and the school boards associated with those findings of noncompliance or internal control weakness are as follows:

Noncompliance with State Laws and Regulations

Movable Property Accounting

Louisiana Revised Statutes require public entities to maintain adequate control and accountability over movable property.

10th Consecutive Finding
Plaquemines

8th Consecutive Finding
Orleans

4th Consecutive Finding
St. Helena
City of Monroe

3rd Consecutive Finding
Caddo
City of Baker
East Baton Rouge
Jackson
West Carroll

2nd Consecutive Finding
Avoyelles
City of Bogalusa
Claiborne
East Feliciana
Evangeline
Iberia
Jefferson
Lafayette
Lafourche
St. John the Baptist
Union

1st Finding
Bossier
East Carroll
Iberville
Jefferson Davis
Madison
Pointe Coupee
St. Landry
Tangipahoa
Vernon

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.

4th Consecutive Finding
St. Helena

3rd Consecutive Finding
City of Baker

1st Finding
East Carroll
Iberville
Madison
St. Landry

Donation/Gift of Public Funds

Article VII, Section 15 of the Louisiana Constitution prohibits public bodies from making gifts or donations of public funds.

8th Consecutive Finding
Iberia

3rd Consecutive Finding
Lafayette

Louisiana Budget Act

Louisiana Revised Statutes 17:88 and 39:1304-1310 require specific information on the notification, adoption, and amendments of budgets.

2nd Consecutive Finding
City of Baker

1st Finding
Calcasieu
Concordia
Iberville
St. Helena

Accounting for School Activity Funds

While School Activity Funds are not the property of the school boards, the boards maintain a fiduciary and monitoring responsibility for these funds.

8th Consecutive Finding
East Carroll
Orleans

3rd Consecutive Finding
Evangeline
Rapides

1st Finding
City of Monroe
Claiborne
Morehouse
Ouachita
St. Landry

4th Consecutive Finding
St. Helena

2nd Consecutive Finding
City of Baker
Richland
St. John the Baptist
Union

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
LaSalle

1st Finding
Bossier
East Carroll
Iberville
Lincoln
Pointe Coupee
St. Helena

Seventy Percent Instructional Expenditures

Louisiana Senate Concurrent Resolution #142 of the 1993 Session requires at least seventy percent of General Fund expenditures be spent for instructional purposes.

4th Consecutive Finding
Tensas

3rd Consecutive Finding
East Carroll

1st Finding
Jackson

Minimum Foundation Program

The Minimum Foundation Program provides a minimum level of funding to local school districts. Certain districts did not comply with one or more requirements of the program.

1st Finding
Franklin

Uniform Unclaimed Property Act

The Uniform Unclaimed Property Act of 1997 (Louisiana Revised Statute 9:151-181) applies to unclaimed property and wages or other compensation for personal services. Abandoned property or wages are to be reported annually and funds equal to the value of the property or wages are to be submitted to the Louisiana Department of Revenue.

1st Finding
Madison

Agreed Upon Procedures

Certified Public Accountants performing School Board/District Single Audits are required, by Louisiana law (LSA-RS 24.514), to perform certain "agreed upon procedures" when auditing a School Board/District. These procedures are related to School Board Performance and Statistical Data and are not normally part of an audit. The procedures are intended to assist users in evaluating management's assertions about performance and statistical data and determine whether specified schedules are free of obvious error and/or omissions.

3rd Consecutive Finding
Calcasieu
East Feliciana

2nd Consecutive Finding
Avoyelles
Bossier
East Carroll
St. Landry
St. Tammany
Washington
West Carroll

1st Finding
Bienville
Caddo
City of Baker
City of Monroe
Claiborne
Franklin
Iberville
Jackson
Lafourche
Lincoln
Livingston

1st Finding (cont')
Madison
Orleans
Plaquemines
Pointe Coupee
Richland
St. Mary
Terrebonne
Union
Vernon

Collateralized Bank Deposits

Louisiana Revised Statutes 39:1211-1235 require bank deposits of public entities be fully secured at all times.

3rd Consecutive Finding
Jefferson

1st Finding
Assumption
Avoyelles
City of Baker
East Carroll
Iberville

General Fund Deficits

Certain school districts incurred deficits in the General Fund for the year ended June 30, 2005.

2nd Consecutive Finding
Morehouse
Pointe Coupee

1st Finding
Orleans

Noncompliance with Federal Laws and Regulations**Title I**

This federal award provides funds to enable school districts to improve education in schools.

2nd Consecutive Finding
Caddo
City of Baker
Franklin
Morehouse

1st Finding
East Baton Rouge

Timely Reimbursement Claims

The Code of Federal Regulations requires claims on federal awards be paid on a reimbursement basis. School districts are required to use general fund resources to pay costs of federal programs. The general fund receives refunds through the reimbursement process and must submit reimbursement claims in a timely manner in order to avoid causing a significant loss in interest revenue to the school board's general fund.

3rd Consecutive Finding
St. Landry

Cash Management

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

2nd Consecutive Finding
City of Baker

1st Finding
Pointe Coupee

Davis-Bacon Act

When required by this act, entities receiving federal funds used for construction contracts in excess of \$2000 must pay prevailing wage rates established for that locale by the US Department of Labor.

2nd Consecutive Finding
East Feliciana

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.

3rd Consecutive Finding
East Feliciana

2nd Consecutive Finding
Iberville

1st Finding
City of Baker
City of Bogalusa
Iberia
Pointe Coupee
Rapides

Office of Management and Budget Circular A-110 (“Common Rule”)

This federal circular provides standards for obtaining consistency and uniformity among Federal agencies in administering grants and agreements with institutions of higher education, hospitals, and other nonprofit organizations.

1st Finding
Pointe Coupee

School Food Service

This federal award provides funding to meet the nutritional requirements of eligible school children.

2nd Consecutive Finding
City of Baker
Lafayette

1st Finding
East Carroll
East Feliciana
Pointe Coupee
West Carroll

IDEA/Special Education

This federal award provides the special education and related services needed to make a free appropriate public education available to all eligible children.

1st Finding
Calcasieu
City of Baker
Claiborne
Franklin
West Carroll

Maintenance of Effort

Certain federal programs require a continued minimum level of funding based on expenditures in previous year(s), depending on the program.

1st Finding
Pointe Coupee

Suspended/Debarred Vendors

Under OMB Circular A-113, 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.

1st Finding
East Feliciana
Iberville
Pointe Coupee

Other Significant Audit Findings**Accounting Function/System Weaknesses**

<u>Assumption</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Inadequate payroll procedures• School bus transportation issues
<u>Avoyelles</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Inaccurate October 1 student counts
<u>Calcasieu</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Inaccurate accounts payable procedures
<u>Concordia</u>	<u>1st Finding</u> <ul style="list-style-type: none">• School bus transportation issues
<u>DeSoto</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Inadequate procedures for absentee reporting• Unprepared or untimely bank reconciliations
<u>E. Baton Rouge</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Information technology & environment security improvements needed
<u>East Carroll</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Inadequate/incomplete documentation for travel expense transactions
<u>East Feliciana</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Unprepared or untimely bank reconciliations• Inadequate/incomplete documentation in certain areas
<u>Iberia</u>	<u>8th Consecutive Finding</u> <ul style="list-style-type: none">• Employees hired before July 1, 1979 received advance salary payments. Advances are now being reduced through attrition.
<u>Iberville</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Inadequate interim reporting procedures• Inadequate/incomplete documentation in certain areas
<u>Jefferson</u>	<u>3rd Consecutive Finding</u> <ul style="list-style-type: none">• There is inadequate documentation for some accounts <u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Information technology improvements needed
<u>Lafayette</u>	<u>1st Finding</u> <ul style="list-style-type: none">• School bus transportation issues• Declining General Fund balance• Self-insurance fund loss
<u>Lafourche</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Inadequate documentation for some accounts

<u>Lincoln</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Unprepared or untimely bank reconciliations
<u>Madison</u>	<u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Certain accounting funds are not being properly maintained.• Inadequate documentation for some accounts• Inadequate separation of duties <u>1st Finding</u> <ul style="list-style-type: none">• Public Records Act violation
<u>Morehouse</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Unprepared/untimely bank reconciliations
<u>Orleans</u>	<u>6th Consecutive Finding</u> <ul style="list-style-type: none">• Not keeping adequate documentation to support expenditures• Periodic financial reports not prepared during the year <u>4th Consecutive Finding</u> <ul style="list-style-type: none">• Interfund transactions not properly recorded, reconciled, or settled• Inadequate payroll procedures <u>3rd Consecutive Finding</u> <ul style="list-style-type: none">• Inadequate internal control related to accounts payable disbursements• Routine general ledger reconciliations to cash and other accounts not performed• Excessive journal entries due to poor procedures• Unprepared or untimely bank reconciliations• Inadequate segregation of duties for certain functions <u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Inadequate interim reporting procedures
<u>Ouachita</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Improper allocation of sales tax proceeds
<u>Pointe Coupee</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Unprepared or untimely bank reconciliations
<u>St. Helena</u>	<u>4th Consecutive Finding</u> <ul style="list-style-type: none">• No written procedures for budget, payroll, capital assets, cash, and computers• Unprepared or untimely bank reconciliations
<u>St. John</u>	<u>1st Finding</u> <ul style="list-style-type: none">• Inadequate documentation for some accounts
<u>City of Baker</u>	<u>3rd Consecutive Finding</u> <ul style="list-style-type: none">• Not maintaining detailed records for accrual of annual/sick leave liability• Not maintaining detailed records for time and attendance <u>2nd Consecutive Finding</u> <ul style="list-style-type: none">• Deficient interim reporting process• Inadequate procurement and disbursement functions• Failure to analyze and reconcile certain general ledger accounts

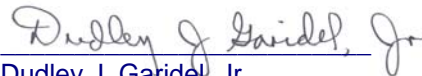
City of Bogalusa 2nd Consecutive Finding

- Unprepared or untimely bank reconciliations
- Inadequate documentation for expenditures
- Inadequate procedures for cash disbursements
- Inadequate interim financial reporting
- Inadequate payroll fund procedures

City of Monroe 1st Finding

- Unprepared or untimely bank reconciliations
- Inadequate interfund transaction documentation

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



Dudley J. Garidel, Jr.
Director of Internal Audit



Jewell A. Reid, CIA
Audit Supervisor