

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

**For the Year Ended 6/30/11**

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## **INTERNAL AUDIT REPORT**

Audit Control Number 13-01  
April 17, 2013



Issued: April 17, 2013

**LOUISIANA DEPARTMENT OF EDUCATION  
BUREAU OF INTERNAL AUDIT  
Baton Rouge, LA**

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### **NOTICE**

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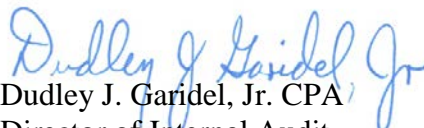
# LOUISIANA DEPARTMENT OF EDUCATION

April 17, 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, 2011. 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 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, 2011.

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

- Timely Audit Report
- Public Bid Law
- Donation/Gift of Public Funds
- Fixed Asset Accounting /Movable Property
- General Fund Deficit
- Open Meetings Law
- 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**

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

## **SIGNIFICANT FINDINGS NOTED**

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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, 2011, 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. Entities failing to comply are subject to legislative subpoena and possible sanctions.

#### **2<sup>nd</sup> Consecutive Finding**

Avoyelles

Webster

D'Arbonne Woods

Avoyelles was unable to have its audit report complete within the prescribed time period due to delays in closing programs, additional audit requirements from funding sources which interrupted the auditor's work schedule.

Webster did not have its audit report complete within the prescribed time period due to an illness in its accounting department which delayed preparing reports.

D'Arbonne Woods financial statements were not in a condition to be audited in the time frame prescribed by law due to insufficient supporting records and a vacant accountant position.

Although after the required deadline, all three entities did, in fact, submit the required audit reports to resolve the issue.

### **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. Failure to comply might lead to the misuse or waste of public funds.

#### 2<sup>nd</sup> Consecutive Finding Bienville

The Bienville school board did not retain evidence of telephone quotes obtained for purchases made under the public bid law. The school board changed their policies and procedures regarding documenting telephone quotes in order to resolve the issue.

### **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.

#### 2<sup>nd</sup> 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 not resolved and was 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.

#### 6<sup>th</sup> Consecutive Finding Calcasieu

#### 3<sup>rd</sup> Consecutive Finding Bienville Morehouse

#### 2<sup>nd</sup> Consecutive Finding Caldwell Webster

Calcasieu could not explain differences in the roll-forward of acquisition costs and accumulated depreciation in its capital asset listing; did not add completed construction projects to the capital asset listing; and did not properly identify depreciable assets. Calcasieu made subsequent changes to its policies and procedures to resolve the issue.

Bienville did not capitalize various facility acquisition expenses in accordance with GASB34. Bienville subsequently conducted a thorough review of all capital asset transactions to ensure all capital assets were recorded in the listing.

Morehouse did not add completed construction projects to the capital asset listing. Morehouse conducted training for the capital asset clerk to ensure all fixed assets are properly recorded; and the business manager monitors reports to prevent errors.

Caldwell was inconsistent in updating its capital asset listing. Caldwell subsequently created fixed asset forms for use in correcting the problem.

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

### General Fund Deficit

Some Local Education Agencies incurred a General Fund deficit at year-end. This might indicate a deficiency of available funding or lack of adequate management oversight for spending.

2<sup>nd</sup> Consecutive Finding  
Intercultural

1<sup>st</sup> Finding  
Sojourner

Intercultural suffered an operating loss for the second year in a row due to enrollment not meeting expectations and higher than expected operating costs. In November 2011, Intercultural terminated its management agreement with Edison Schools, Inc. for material breach of contract and recognized approximately \$694,000 of income related to prior year management fees owed to Edison.

Sojourner Truth suffered an operating loss for the second year in a row due to operating costs exceeding revenues by approximately \$316,000. The governing board was unable to eliminate this deficit. The school was still in a deficit posture as of June 30, 2012 when the board elected to cease school operations.

### Open Meetings Law

Louisiana Revised Statute 17:3996 provides Charter Schools be subject to the Louisiana Open Meetings Law (LA RS 42:4.1). The intent is to allow public oversight of governmental body decision-making.

2<sup>nd</sup> Consecutive Finding  
D'Arbonne Woods

The D'Arbonne Woods governing board held multiple executive sessions during board meetings without documenting the reasons for such sessions. The governing board members and school attorney subsequently reviewed the open meetings law, and the school attorney is charged with ensuring the board follows the law in all meetings.

### 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).

4<sup>th</sup> Consecutive Finding  
Jackson

3<sup>rd</sup> Consecutive Finding  
East Carroll  
Rapides  
Sabine  
St. Helena  
St. Landry  
Webster

2<sup>nd</sup> Consecutive Finding  
Evangeline  
Lafayette  
Richland

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**

#### **Eligibility – Child Nutrition Cluster**

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. Noncompliance could lead to recapture of those monies and possible disqualification by the federal government from further participation.

##### 2<sup>nd</sup> Consecutive Finding St. Landry

St Landry did not correct the reduced lunch meal eligibility status of some students tested in the School Nutrition Programs based on the current proof of income received during the verification process. St Landry subsequently held multiple training sessions to retrain cafeteria and area managers to minimize application and scanning errors; and the Child Nutrition Supervisor began conducting random tests of applications to ensure student eligibility is correctly determined.

#### **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.

##### 2<sup>nd</sup> Consecutive Finding Broadmoor

Broadmoor was unable to provide executed contracts or time and effort certifications for several employees being paid with Title I and American Recovery & Reinvestment Act funds resulting in approximately \$116,000 in questioned costs. The school was able to subsequently provide sufficient information and documentation to the LDOE Office of Student Programs to satisfactorily resolve and close the finding.

#### **Special Education/IDEA**

This federal award provides the special education and related services needed to make a free appropriate public education available to all eligible children. Noncompliance could lead to recapture of those monies and possible disqualification by the federal government from further participation.

##### 2<sup>nd</sup> Consecutive Finding Broadmoor

Broadmoor was unable to provide source documents for four reimbursements or executed contracts and time and effort certifications for two employees totaling resulting in approximately \$56,258 in questioned costs. The school was able to subsequently provide sufficient information and documentation to the LDOE Office of Student Programs to satisfactorily resolve and close the finding.

**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.

2<sup>nd</sup> Consecutive Finding

St Landry  
Broadmoor

Neither St Landry nor Broadmoor verified eligibility of vendors by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration and retaining documents supporting the search.

St Landry did not resolve this issue and the condition remains as of June 30, 2012.

Broadmoor created a Financial Policies and Procedures manual which contains procedures to ensure vendor eligibility through the EPLS and retain documents supporting the search.

**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.

2<sup>nd</sup> Consecutive Finding

Jackson  
Broadmoor  
James Singleton  
ReNEW

Jackson did not properly report expenditures in several Periodic Expense Reports; did not include all required elements and components in some school-wide plans; and did not properly document some payroll or disbursement transactions. Jackson subsequently reviewed and modified policies and procedures to ensure these issues were resolved.

Broadmoor could not provide evidence supporting the Highly Qualified instructional area status for a paraprofessional; missed the deadline to submit its School Improvement template to the LDOE; and failed to show evidence of academic improvement for three of five students selected for testing in connection with the Title I Part A grant. Broadmoor terminated its agreement with its management company and began developing its own policies and procedures to correct these issues, which were considered resolved in the following audit.

James Singleton's cash balances and grants receivable were not correctly stated at year end due to a lack of internal control designed to ensure compliance with Federal regulations. Management subsequently refined its policies and procedures related to review of general ledger account balances in order to resolve this issue.

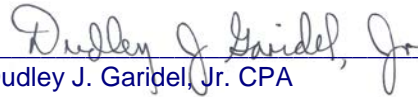
ReNEW was unable to provide adequate documentation for employee salaries or expenditures supporting requests for reimbursement related to Title I funding. ReNEW



modified its procedures to create appropriate forms and ensure documentation for salaries and reimbursement requests would be maintained in order to resolve these issues.

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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, reading "Dudley J. Garidel, Jr.", written in black ink over a horizontal line.

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