

SIGNIFICANT AUDIT FINDINGS - SINGLE AUDITS OF SCHOOL BOARDS & CHARTER SCHOOLS For the Year Ended 6/30/2020

INTERNAL AUDIT REPORT

Audit Control Number 22-03
September 1, 2021



Issued: October 13, 2021

**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 13, 2021

Board of Elementary and Secondary Education (BESE)
Dr. Cade Brumley, Superintendent of Education
Louisiana Department of Education (LDOE)

Enclosed is the report on significant audit findings for single audits of school boards and charter schools for the year ended June 30, 2020.

Issues related to the COVID virus caused several boards and charters to request audit report submission deadline extensions from the Louisiana Legislative Auditor's (LLA) Office. Some audit reports may still have been outstanding as of the deadline date this report was submitted to be included in this month's BESE meeting.

Please contact us if you have any questions.

Respectfully submitted,

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

DJGJr

Distribution:

Board of Elementary and Secondary Education (11)
Dr. Cade Brumley, Superintendent of Education
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Board of Elementary and Secondary Education (BESE)



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EXECUTIVE SUMMARY

The Louisiana Department of Education (LDOE) performs certain federal cognizant agency functions related to school district (LEA) and charter school (charter) single audits performed by independent certified public accountants. The Bureau of Internal Audit (BIA) performs desk reviews of these single audit reports to determine compliance with Office of Management and Budget (OMB) and other regulatory guidelines. In addition, the BIA compiles the significant audit findings reported and forwards the information to appropriate LDE Divisions, and the Board of Elementary & Secondary Education (BESE), as contained herein.

Entities with repeated findings are noted as such by the Division of School System Financial Support (SSFS) in its annual risk assessment. These entities are assigned a higher risk rating due to the repeated findings, and, as a result, are more likely to be audited by the SSFS its annual audit process.

All reported findings related to federal programs administered by the LDE must be resolved within 180 days of receipt. The Division of Program Monitoring is mandated to ensure such findings are resolved.

The following is a listing of significant or notable findings for the year ended June 30, 2020:

Noncompliance with State Laws and Regulations (page 2)

- Agreed Upon Procedures
- Debt Service
- Donation/Gift of Public Funds
- Fixed Asset Accounting/Movable Property
- General Fund Deficit
- Louisiana Local Government Budget Act
- School Activity Funds
- Fraud/Embezzlement/Theft

Noncompliance with Federal Laws and Regulations (page 10)

- Special Education/IDEA

Charter School Legend

Belle Chasse	Belle Chasse Academy
D'Arbonne Woods	D'Arbonne Woods Charter School
Elan	Elan Academy
Firstline	Firstline Schools, Inc.
French & Montessori	French and Montessori Education, Inc dba Audubon Charter School and Audubon Schools Gentilly
GEO Prep Academy	GEO Prep Academy of Greater Baton Rouge
GEO Prep MidCity	GEO Prep MidCity of Greater Baton Rouge
Glencoe	Glencoe Education Foundation
Inspire-EBR	Inspire Charter Academy – East Baton Rouge
James Singleton	James M. Singleton Charter Middle School
Lafayette Charter	Lafayette Charter Foundation, Inc
LaKey	Louisiana Key Academy
Lycee'	Lycee' Francais De La Nouvelle-Orleans
New Vision	New Vision Learning Academy
Pelican	Pelican Educational Foundation, Inc.
South Louisiana	South Louisiana Charter Foundation, Inc.

SIGNIFICANT FINDINGS NOTED

For the year ending June 30, 2020 significant audit findings were determined based on our professional judgement during the review of annual single audit reports. The BIA believes findings posing the most risk to the school districts and charter schools are those related to internal control weaknesses surrounding asset security and noncompliance with applicable laws and regulations. Such findings could result in loss of funds or assets and/or recapture of monies by the federal or other governmental entities.

Based on the above, the school district/system/charter schools and associated significant findings, of noncompliance or internal control weakness are as follows:

Noncompliance with State Laws and Regulations
AGREED UPON PROCEDURES [AUP]

Criteria: Louisiana Revised Statute 24:514 requires the Public Accounting firm conducting a School Board/District/System/Charter School Single Audit to perform certain additional procedures. These procedures are related to School District Performance and Statistical Data and are not normally part of a single 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 errors and/or omissions.

Finding: When the audit firms tested the AUP for compliance, the below listed entities had exceptions noted.

5th Consecutive

South Louisiana

4th Consecutive

French & Montessori

Inspire-EBR

Lafayette Charter

Lycee'

Pelican

3rd Consecutive

Belle Chasse

D'Arbonne Woods

Elan

GEO Prep Academy

GEO Prep MidCity

Glencoe

James Singleton

Corrective Action: *All entities more or less indicated procedures would be developed or modified to ensure there would be no further occurrences of the errors found.*

DEBT SERVICE

Criteria: Louisiana Revised Statute 39:569 states the governing authority of a subdivision issuing bonds hereunder shall impose and collect annually, in excess of all other taxes, a tax on all property subject to taxation by the subdivision sufficient in amount to pay the interest annually or semiannually and the principal falling due each year, or such amount as may be required, for any sinking fund necessary to retire said bonds at maturity.

4th Consecutive

Webster

2nd Consecutive

Assumption

Webster Condition Based on Audit Report: "At June 30, 2020, Doyline District #7 has a deficit fund balance of \$794,775. In the current fiscal year, Doyline District #7's ad valorem tax collections were not sufficient to cover current year's debt service requirements, increasing the fund's deficit fund balance by \$210,608 from the deficit of \$584,167 reported in prior year."

Webster Corrective Action: *"The district will increase the millage for 2021 and will continue to do until the issue is resolved."*

Assumption Condition Based on Audit Report: "The School Board entered into a lease agreement with one vendor that is classified as debt as defined by the statute. This agreement was not approved by the State Bond Commission."

Assumption Corrective Action: *"The administration will review and revise the lease agreement to include language of a non-appropriation clause that will resolve this matter."*

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

Lafourche

2nd Consecutive

Assumption

Caddo

Lafourche Condition Based on Audit Report: “During our audit procedures, we were made aware of a few instances in which lunches were provided to teachers for teacher appreciation week. Since no business purpose for the meals was present, noncompliance with Louisiana Constitution, Article VII, Section 14 occurred”.

Lafourche Corrective Action: *“The Internal Auditor will meet with the schools' administrators and immediate supervisors to stress the importance of following school board procedures pertaining to providing lunches to teachers. The Business Manager and Internal Auditor will provide training to all school administrators to make sure all are informed about the lunch policies. The superintendent will communicate to all administrators the importance of following the guidelines stressed during meetings and trainings related to providing lunches to teachers”.*

Assumption Condition Based on Audit Report: “During our audit procedures we identified the following matters which were considered violations of Article VII, Section 14 of the Louisiana Constitution. Operational allowances are paid to contract bus drivers based on route time and mileage. Additionally, the bus drivers are issued a Fuelman card to purchase fuel. The total fuel charged to the Fuelman account is deducted from the bus drivers' paychecks. Due to the timing of the transactions, this results in an advancement of public funds. This is a repeat finding from June 30, 2019”.

Assumption Corrective Action: *“The administration was not able to correct the finding prior to June 30, 2020 because of the School Closure resulting from the Covid-19 Pandemic. However, Fuelman cards were not in use by contract drivers during March 17, 2020 through July 2020 because of the school closure. This issue has been corrected and resolved as of October 2020.”*

Caddo Condition Based on Audit Report: “During the testwork performed on the census provided to the actuary to calculate the net other post-employment benefits liability, eleven out of twenty-five tested had exceptions. These exceptions included not being able to find the membership enrollment forms to verify the medical coverage type (single, employee/child, family, etc.), life insurance type, and the premium allocation between the employee and the employer.

An internal audit of the Insurance Department was conducted during the fiscal year ended June 30, 2020. It was found that there were active and inactive employees not

paying monthly health insurance premiums; however, claims were processed for those employees and paid by Blue Cross Blue Shield. Deceased employees were still listed on the information given to Blue Cross Blue Shield. In addition, the School Board was paying the monthly administration/reinsurance fee. Dental insurance is supposed to be paid 100% by employees; however, there were employees incorrectly paying both higher and lower premiums. Policy requires all employees to pay for premiums for benefits through payroll deductions, however, there were over 100 individuals who are 2 to 20 months behind in uncollected healthcare premiums.

There is an estimated \$459,775 in uncollected healthcare premiums from employees and an estimated \$1,048,457 in employer's portion of unpaid premiums. The School Board is also owed an estimated \$15,218 for dental premiums. Over 100 individuals are delinquent in paying healthcare premiums ranging from two to twenty months behind.

Caddo Corrective Action: *“Employees receiving benefits are now being reconciled to the listing of those paying premiums on a monthly basis. The district is in the process of implementing a benefits administration system that will allow for an automated enrollment process and automated recordkeeping. Reimbursements from those employees/retirees who owe the district for premiums are being pursued. The policy will be updated in January 2021 to address several of the issues noted in the internal audit.”*

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 or the recapture of grant monies by the federal or other government entities.

2nd Consecutive West Baton Rouge

West Baton Rouge Condition Based On Audit Report: “The capital assets records were not properly reconciled to the general ledger accounts.

West Baton Rouge Corrective Action: *“On a quarterly basis, the Business Manager will review the detailed general ledger of the capital outlay accounts to determine if the transactions need to be included in the capital assets records in the fiscal year.”*

LOUISIANA LOCAL GOVERNMENT BUDGET ACT

Criteria: In accordance with the Louisiana Local Government Budget Act (Louisiana Revised Statutes 39:1301 through 39:1315), the proposed budget shall be accompanied by a proposed budget adoption instrument and include a budget message signed by the budget preparer. In addition, a political subdivision shall

certify completion of the adopted budget by publishing a notice of adoption in the official journal.

3rd Consecutive

Assumption
Lafourche

2nd Consecutive

New Vision

Assumption Condition Based On Audit Report: “Management failed to prepare a budget message for fiscal year ending June 30, 2020. Additionally, the School Food Services Fund of the School Board is considered a special revenue fund. Management of the School Board failed to amend the budget for this fund when it had an unfavorable budget variance in expenditures of greater than 5% for fiscal year ending June 30, 2020.

Assumption Corrective Action: *“The administration recognizes these situations as isolated incidents that resulted in inefficiencies occurring due to School Closure as a result of the Covid-19 Pandemic. The administration will include budget messages in future budget presentations and publications. The administration recognizes that budget revisions are necessary for unfavorable variances and will be in accordance with this statute in the future.”*

Lafourche Parish Condition Based On Audit Report: “The School Board did not advertise prior to its public hearing and adoption of the 2019 budget. Additionally, the budget was not completed and submitted to the School Board and made available for public inspection at least 15 days prior to the date of budget adoption.”

Lafourche Corrective Action: *“A control sheet has been established for the production and adoption of the budget. This control sheet will be prepared prior to assembling the budget, and will contain the date for submitting the budget to the School Board, for publishing the notice of the public hearing and for the adoption of the budget. The Business Manager and the Assistant Business Manager will monitor the progress of the budget and make sure all deadlines are met.”*

New Vision Condition Based On Audit Report: “The Louisiana Local Government Budget Act (LGBA) requires charter schools to adopt the budget in a separate meeting from the initial meeting in which the budget is discussed. After the budgeting process is completed, LGBA requires the school to publish a notice in its official journal certifying that the school has complied with the required budget process...After adoption of the budget, the school did not comply with the LGBA by certifying in its official journal that the budget process was completed.”

New Vision Corrective Action: *“Management agrees with the finding and will establish written policies and procedures which provides guidelines on how the Organization will ensure compliance with the Louisiana Local Government Budget Act.”*

SCHOOL ACTIVITY FUNDS

Criteria: While School Activity Funds are not 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).

4th Consecutive

Lafayette
Rapides
St Landry
Webster

2nd Consecutive

Franklin
Lafourche

Lafayette Corrective Action: *"The School Board agrees with the finding and is continually updating the policies and procedures so that this issue can be resolved. Audits performed by the school activity department along with external audits provide each school a review each year. In addition to audits several other steps have been implemented over the years. In 2015, an audit rating form was implemented and is being used to provide an overall rating to each school based on their audit results. Based on findings, ratings are assigned as follows: excellent, good, fair, unacceptable, and non-compliance. In 2016, performance objectives for principals were updated to include the audit ratings in the evaluation of the principals to increase accountability. In 2017, the school activity department began reviewing some of the fundraisers as they were completed to assist the fundraiser sponsor with addressing any issues that may exist with their fundraiser reconciliation forms. Training continues to be provided when requested. In 2018, training videos were released that provide step-by-step instructions on the proper completion of fundraiser activity reconciliations. All sponsors of fundraisers are required to view the videos. Four account clerks were hired in 2019 to assist high school bookkeepers with fundraiser reconciliations. Training is being provided to these account clerks so that they will be able to assist with addressing fundraiser and class fee issues. Administration has set a primary goal of all schools obtaining a "Fair" audit rating in fundraising and class fees areas."*

Rapides Corrective Action: *"The Finance Department will continue to conduct meetings to review the procedures as outlined in the School Activity Funds Policies and Procedures Manual and emphasize the importance of following these Board approved procedures. In addition, Administration will conduct a meeting with the principal and secretary of Pineville Elementary School, Tioga Junior High School, and Plainview High School to review the findings and discuss a plan of action to correct these findings in order to prevent future findings. District administration*

will also begin to incorporate the audit findings into the school administrator's annual evaluation.

St Landry Corrective Action: *"The School Board performs routine audits of the school activity funds. In the past, school administrators allowed certain groups to spend funds that were not available to their group, which has created negative cash balances for some groups. All school administrators and bookkeepers have been informed of the proper procedures for spending school activity funds. Duties have been modified at the district level to allow for an additional school auditor. This will allow for more school audits during the year and a greater presence at the schools."*

Webster Corrective Action: *"Our annual finance workshop is now split into four sessions. Two sessions are for the high school and junior high school north and south end of the district. The other two sessions are for the north and south end of the district elementary schools."*

Franklin Corrective Action: *"Bingo workers are hired as substitutes. They are not interviewed by Human Resources staff due to the high turnover of Bingo employees and also due to their part-time status. Central Office staff will screen Bingo employees to ensure they are eligible for employment. The Bingo manager handles, money, payroll and financial records. In the future the Bingo manager will go through the interview process prior to being employed."*

Lafourche Corrective Action: *"The Internal Auditor will meet with the schools' administrators and immediate supervisors to review LA Code 42.1.1721 and stress the importance of following all code requirements. The Business Manager and Internal Auditor will provide training to all school administrators to make sure all are informed about the raffle documentation requirements. The superintendent will communicate to all administrators the importance of following the guidelines stressed during meetings and trainings related to proper raffle documentation."*

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.

3rd Consecutive Tensas

Tensas Condition Based On Audit Report: *"There were a number of stale-dated check being carried on the bank reconciliation. At June 30, 2020, there were 40 checks totaling \$16,571 that were over one year old."*

Tensas Corrective Action: *“The School Board will implement procedures to investigate old reconciling items.”*

FRAUD/EMBEZZLEMENT/THEFT

The following entities had one or more reported instances of fraud, embezzlement, or theft.

4th Consecutive

Bossier

St Landry

St Martin

Bossier Condition Based On Audit Report: “In July 2020, Bossier Parish School Board Central Office discovered that a Food Services Manager at a School Cafeteria was falsifying payroll records by clocking employees out at their regular time after they had left early. Also, she was willfully neglecting her duty by providing free food to school employees. The Legislative Auditor was notified of the incident. The employee admitted to the violations and was terminated. The amount of the misappropriation could not be determined. The case is considered closed. It should be noted that the School Board’s monitoring procedures allowed for the detection of the incident in a timely manner.”

Bossier Corrective Action: *“Upon discovery of this matter, appropriate disciplinary actions were taken and the employee was terminated. The School Food Service department closely monitored this site to ensure all policies are now being properly followed. Furthermore, monthly audits are now being done by field managers in all schools to monitor for any suspicious behavior and to prevent future incidents.”*

St Landry Condition Based On Audit Report: “On May 6, 2020 a St. Landry Parish Head Start issued iPad was stolen from an employee's personal residence during a break-in. The Evangeline Parish Sheriff's Office was contacted, and a police report was filed. As of the date of this report, the iPad has not been recovered; however, the employee has reimbursed the School Board for the cost of the iPad.”

St Landry Corrective Action: *“The School Board will continue to conduct routine inventory checks to mitigate these types of risks. A Fixed Asset manual and forms have been created and discussed with school administrators and their fixed asset designees. As of the date of this report, the iPad has not been recovered, but the employee was held accountable and reimbursed the district for it.”*

St Landry Condition Based On Audit Report: “While reviewing monthly reports submitted by the schools, irregularities were identified in amounts deposited at Opelousas Junior High School. Upon further review and an internal audit, a shortage of \$9,017 was identified.”

St Landry Corrective Action: *“Upon detecting the shortage, the District Attorney and Louisiana Legislative Auditor were notified, and an internal audit was conducted. Restitution has not been made, and the individual believed to have misappropriated the funds is no longer employed by the School Board.”.*

St Martin Condition Based On Audit Report: In fiscal year ended June 30, 2016, an employee of the school board misappropriated funds from the administrative office. The employee was arrested in August 2016. The approximate amount of the misappropriation was estimated at \$17,338 as of June 30, 2016.

In fiscal year ended June 30, 2017, Casey V. Broussard, CFO and Allen Blanchard, Jr., Director of Personnel contacted the St. Martin Parish Sheriff’s Office, the Sixteenth Judicial District Attorney's Office, and the Legislative Auditor's Office. The case is being handled by the District Attorney's Office. The defendant pled guilty on April 24, 2017. She was sentenced to serve three years of hard labor, which was suspended, and she was placed on supervised probation for a period of five years. The defendant has paid very little restitution. The school board is still owed funds of approximately \$15,118. The former employee has until April 24, 2022 to make full payment. Although the finding was not completely resolved as of June 30, 2019, the only "open" component of the matter is the restitution owed to the school board.

St Martin Corrective Action: *“Ms. Broussard and/or Mr. Blanchard will contact the District Attorney's Office to inquire about restitution payments. They will also continue to monitor the collection of the restitution owed to the school board.”*

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.

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 from further participation by the federal government.

2nd Consecutive
Finding
E Carroll

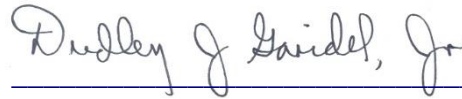
E Carroll Condition Based On Audit Report: “Louisiana Department of Education identified East Carroll Parish as significantly disproportionate in the identification of intellectual disabilities of Black or African American with a risk ratio of 4. A plan was submitted by the School Board to address the factors contributing to the

significantly disproportionality. Fifteen percent of IDEA Part B Funds were budgeted for the plan (\$32,983), but only \$1,574 was spent.

E Carroll Corrective Action: “*East Carroll will provide intervening services for the 2020-2021 school year through after school tutoring and summer school.*”

Public Document

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