

LOUISIANA DEPARTMENT OF EDUCATION



**Louisiana Scholarship Program (LSP)
Independent Financial Audit Guide for
Participating Schools**

September 2022

Overview of Independent Financial Audit



Overview

- Scholarship funds are public tax dollars and thus come with a high level of responsibility and accountability
- La. R.S. 17:4022(3) requires a financial audit of those schools receiving LSP funds which must be conducted by a certified public accountant
- The LDOE coordinates and pays for these audits performed by independent accounting firms
- Audit guidance regarding the annual independent audit is published so as to ensure compliance with the law

Preparing for Audit



How to Prepare for Audit

- In order to prepare for the audit, school staff must ensure that the following are in order:
 - Assurances
 1. Educational Purpose Assurance
 2. Individual Enrichment Assurance
 - Financial Controls
 - Financial Reports
 - Segregation of Funds
 - Enrollment Records

Assurances



Assurances

- In order to prepare for the audit, school staff must ensure that the assurances have been prepared and are in order:
 - Assurances
 1. Educational Purpose Assurance
 - The school administrator should sign this form to assure that scholarship funds will only be used for educational purposes.
 - Categories for Educational Purposes are: Instructional Programs, Pupil Support Programs, Instructional Staff Programs, School Administration, General Administration, Business Services, Transportation, Food Service Operations
 2. Individual Enrichment Assurance
 - This form should be signed by each employee that is involved in the direct operations of the school (i.e. - Principal, Assistant Principal, etc).
- The assurance forms are posted in the nonpublic newsletter and should be submitted to studentscholarships@la.gov

Financial Controls



Financial Controls

- The financial environment in which LSP funds are managed will be audited to determine adequate internal controls exist to safeguard state funds
- In anticipation of this review, existing financial systems should be reviewed to ensure controls are present as follows:
 - Up-to-date accounting policies and procedures
 - Trained finance and accounting staff
 - Ability to report on program funds via system account coding, separate fund/account or a substitutionary system such as an allocation methodology

Financial Controls – Cont'd

- Maintenance of supporting documentation for transactions
- Dual signatures on checks required
- Bank statements reconciled and discrepancies resolved
- Limits on access and changes to master payroll files
- Adequate segregation of duties

Financial Reports



Financial Reports

- Financial records maintained by a participating school and all financial reports must thoroughly document the use of LSP funds
- As a result, each participating school must complete and submit the following financial report:
 - Budget – brief description of the manner in which the total estimated program revenue allocated to the school will be spent
 - An annual Budget must be submitted on or before October 21, 2022. The budget form should be submitted to staudit@la.gov
 - Categories of expenditures may include: Salaries, Benefits, Purchased Services, Supplies & Materials, Property or Other

Budget & Expenditure Report

Louisiana Department of Education
Louisiana Scholarship Program (LSP) Budget

School Year:	2022-2023	Site Code:	
Participating School:			
Mailing Address:			
City, State, Zip:			
Prepared by:			
Title:			
Telephone Number:			
Email Address:			

Expenditure Category	Original Scholarship Budget	Actual Scholarship Expenditures	Percent Expended
Salaries			#DIV/0!
Employee Benefits	\$ -	\$ -	#DIV/0!
Purchased Services			#DIV/0!
Supplies and Materials			#DIV/0!
Property			#DIV/0!
Other			#DIV/0!
Reserved			#DIV/0!
GRAND TOTAL	\$ -	\$ -	#DIV/0!

Representative of the entity:	Date:
-------------------------------	-------

EMAIL TO:
Staudit@la.gov

Total Enrollment****				
	Grade	Participating Students	Tuition and Fees	Total
	K			\$0.00
	1			\$0.00
	2			\$0.00
	3			\$0.00
	4			\$0.00
	5			\$0.00
	6			\$0.00
	7			\$0.00
	8			\$0.00
	9			\$0.00
	10			\$0.00
	11			\$0.00
	12			\$0.00
		0		\$0.00

Percent of Total Enrollment are Scholarship Students:
****(Total Enrollment as of Q1 count date)

#DIV/0!

Segregation of Funds



Segregation of Funds

- Schools are required to implement processes and procedures that will allow LSP revenue and expenditures to be easily segregated from the non-scholarship revenue and expenditures.
 - See this requirement in [Act No. 467 of the 2014 Regular Session – R.S. 17:4022\(3\)](#)
- The use of the accounting controls and processes will readily provide documentation that evidences compliance with LSP requirements.
- An added benefit of the separate accounting is the protection of the privacy of each participating school's non-public funds.

Segregation of Funds

- To effectively distinguish Scholarship funding and related expenditures from private funding and related expenditures, accounting controls should be implemented through the use of one of the following three methods:

Segregation of Funds - Separate Bank Accounts

1. Separate bank accounts for each fund source
 - Tuition and other income from private sources is deposited in the main operating account(s) for the school
 - Tuition for LSP students is deposited in a separate account upon receipt
 - Invoices, payroll and other obligations are paid as due from the main operating account
 - Either on a by disbursement basis or on some regular basis (weekly, bi-weekly, monthly) funds are transferred from the LSP account to the main operating account(s) to cover the expenses paid on behalf of the LSP students
 - **Supporting documentation should be on file for each transfer**
 - The transfer must be based in a reasonable allocation methodology such as the proportion of LSP students to the total student population

Segregation of Funds - Unique Coding in Accounting System

2. An accounting system with unique revenue codes or account identifiers for tuition and other income from private sources

- Tuition and other income from private sources is recorded with unique revenue coding or identifiers in the accounting system and deposited in the main operating account(s) for the school
- Tuition for LSP students is recorded with unique revenue coding and identifiers in the accounting system and deposited in the main operating account(s) for the school
- Invoices, payroll and other obligations are paid as due from the main operating account
- For each expense, the proportionate share allocable to LSP students is determined and coded with unique expenditure codes in the accounting system
- A reasonable allocation methodology is used to determine the proportion of each expense that is eligible to be paid from the LSP tuition revenue

Schools should ensure that there is supporting documentation on file to support the allocation methodology used.

Segregation of Funds – Substitutionary System

3. Substitutionary System – Allocation Spreadsheet

- A rational methodology for allocating the expenditures should be developed and utilized consistently
 - The Department approved allocation spreadsheet may be used as a substitutionary system of demonstrating the segregation of funds through an allocation of expenditures based on the percent of scholarship student population to the total student population by classroom, grade or school.
 - The allocation spreadsheet will provide data relative to scholarship expenditures in the areas of salaries, benefits and other charges.
 - The allocation spreadsheet must provide enough detail to allow a sample to be pulled for expenditure testing.

Allocation Spreadsheet – Instructions



Allocation Spreadsheet – Part I



Allocation Spreadsheet Part I

Salary expenditures for employees that serve a portion of the total scholarship population are included in Part I of the spreadsheet.

The portion of the cost of the teacher's salary attributable to Scholarship students is identified in the spreadsheet.

Instructions:

1. Column 1 – Enter the name of the school employee.
2. Column 2 – Enter the job title of the school employee listed in Column 1.
3. Column 3 – Enter the number of students in the respective teacher's classroom (Number of Scholarship Students).
4. Column 4 – Enter the total number of students in the respective teacher's classroom (Scholarship & Non-scholarship).

Allocation Spreadsheet Part I Cont'd

5. Column 5 – This column contains a formula and will auto calculate the percentage of scholarship students in the teacher's classroom based on the data entered in Columns 3 & 4.
6. Column 6 – Enter the salary for the employee for the school year for each employee listed in Column 1.
7. Column 7 – This column contains a formula and will auto calculate the amount of the salary that is allocable to LSP.
8. Column 8 – Enter the employer portion of FICA contributions that will be paid for the year
9. Column 9 – Enter the employer portion of Medicare contributions that will be paid for the year

Allocation Spreadsheet Part I Cont'd

- 10. Column 10 – This column contains a formula and will auto calculate the total salary and payroll taxes entered in Columns 6, 8 and 9.
- 11. Column 11 – This column contains a formula and will auto calculate the amount allocable to LSP. This formula will apply the percentage of LSP students in Column 5 and multiply that percentage by total salary and payroll taxes in Column 10 to determine the amount of salary and payroll taxes allocable to LSP.

Allocation Spreadsheet Part I Cont'd

Part I

PART 1 INSTRUCTIONS: This section is used to allocate payroll expenditures for employees that serve a sub-set of the total scholarship population.

Name(s)	Job Title	Number of SSEEP Students	Total Number of Classroom Students	SSEEP Percentage	Employee's salary for SY 2022-23	Total Salary amount Allocable to SSEEP	FICA	Medicare	Total Salary and Payroll Taxes	Total Salary Payroll Allocable to
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
						FORMULA			FORMULA	FORMULA
				0.00%		\$0.00			\$0.00	\$0.00
				0.00%		\$0.00			\$0.00	\$0.00
				0.00%		\$0.00			\$0.00	\$0.00
				0.00%		\$0.00			\$0.00	\$0.00
				0.00%		\$0.00			\$0.00	\$0.00
				0.00%		\$0.00			\$0.00	\$0.00
				0.00%		\$0.00			\$0.00	\$0.00
				0.00%		\$0.00			\$0.00	\$0.00

Allocation Spreadsheet – Part II



Allocation Spreadsheet Part II

- Benefit expenditures for employees that serve a portion of the total scholarship population are included in Part I of the spreadsheet.
- The portion of the cost of the employee's benefits attributable to Scholarship students is identified in the spreadsheet.
- This Part is designed only for the portion of the employee's benefits that are ***directly paid by the school.***
- If the school does not offer benefits, this section should be left blank.
- If the school only pays one benefit (i.e. – Health insurance), this amount should be reported and the remaining benefits listed should reflect zero.

Allocation Spreadsheet Part II Cont'd

- Part II is used to allocate employee benefits paid by the school

Instructions:

1. Column 1 – Enter the name of school employee(s)
2. Column 2 – Enter the job title of the school employee(s) listed in Column 1
3. Column 3 – Enter the number of students in the teacher's classroom (scholarship students)
4. Column 4 – Enter the total number of students in the teacher's classroom (scholarship & non-scholarship)
5. Column 5 – This column contains a formula and will auto calculate the percentage of scholarship students in the employee's classroom based on the data entered in Columns 3 & 4

Allocation Spreadsheet Part II, Cont'd

6. Column 6 – Enter the amount of life insurance your school pay on behalf of each employee listed, if applicable.
7. Column 7 – Enter the amount of health insurance your school pays on behalf of each employee listed, if applicable.
8. Column 8 - Enter the amount of retirement your school pays on behalf of each employee listed, if applicable.
9. Column 9 – This column contains a formula and will auto calculate the benefit amount entered in Column 6 through Column 8 for a total benefit amount.
10. Column 10 - This column contains a formula and will auto calculate the amount allocable to LSP. It will apply the percentage of LSP students in Column 5 and multiply that percentage by total benefits in Column 9 to determine the amount of benefits allocable to LSP

Allocation Spreadsheet Part II Cont'd.

Part II

PART 2 INSTRUCTIONS: This section is used to allocate employee benefits paid by the school. The employees should be the same as listed in Part I

Employee Benefits - Use the applicable SSEEP % to allocate SSEEP expenditures.

Name(s)	Job Title	Number of SSEEP Students	Total Number of Classroom Students	SSEEP Percentage	Benefits				Total Benefits allocable to SSEEP
					Life Insurance	Health Insurance	Retirement	Total Benefits	
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
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				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
				#DIV/0!				\$0.00	#DIV/0!
Part II Sub-total				#DIV/0!	\$0.00	\$0.00	\$0.00	\$0.00	#DIV/0!

Allocation Spreadsheet – Part III



Allocation Spreadsheet Part III

- Part III identifies the costs associated with any employee that serves both Scholarship and non-Scholarship students.
- This section uses the overall LSP percentage (Column 5) and applies that percentage to all salaries and payroll taxes entered in Part III.

Notes:

The same instructions apply as in Part I with the exception of employees listed. Employees listed in this section serve all students (LSP & Non-LSP) and may include but are not limited to:

- a) Principals
- b) Guidance Counselors
- c) Secretaries
- d) Bookkeepers
- e) PE Instructors
- f) Art Instructors

Allocation Spreadsheet Part III

Part III

PART 3 INSTRUCTIONS: This section is used to allocate payroll expenditures for employees that serve the entire student population.

Name(s)	Job Title	Number of SSEEP Students	Total Student Population	SSEEP Percentage	Employee's Salary for SY 22-23	Total Salary amount Allocable to SSEEP	FICA	Medicare	Total Salary and Payroll Taxes	Total Salary and Taxes Allocable to SSEEP
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
						FORMULA			FORMULA	FORMULA
						\$0.00			\$0.00	\$0.00
						\$0.00			\$0.00	\$0.00
						\$0.00			\$0.00	\$0.00
						\$0.00			\$0.00	\$0.00
						\$0.00			\$0.00	\$0.00
						\$0.00			\$0.00	\$0.00
						\$0.00			\$0.00	\$0.00
						\$0.00			\$0.00	\$0.00

Allocation Spreadsheet – Part IV



Allocation Spreadsheet Part IV

- Part IV identifies benefit costs associated with any employee that serves both Scholarship and non-Scholarship students.
- This section uses the overall SSEEP percentage (Column 5) and applies that percentage to all benefits entered in Part III.

Notes:

The same instructions apply as in Part II with the exception of employees listed. Employees listed in this section serve all students (LSP & Non-LSP) and may include but are not limited to:

- a) Principals
- b) Guidance Counselors
- c) Secretaries
- d) Bookkeepers
- e) PE Instructors
- f) Art Instructors

Allocation Spreadsheet Part IV

Part IV

PART 4 INSTRUCTIONS: This section is used to allocate employee benefits paid by the school. The employees are the same as listed in Part III

Employee Benefits - Use the applicable SSEEP % to allocate SSEEP expenditures.

Name(s)	Job Title	Number of SSEEP Students	Total Student Population	SSEEP Percentage	Benefits				Total Benefits allocable to SSEEP
					Life Insurance	Health Insurance	Retirement	Total Benefits	
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
									FORMULA
				#DIV/0!				\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
								\$0.00	#DIV/0!
Part IV Sub-total						\$0.00	\$0.00	\$0.00	\$0.00

Financial Audit Process



Independent Financial Auditors

- Independent CPA firm will email Principal and/or Scholarship contact for audit engagement (October). Initial email will include documentation requests and due dates
- Nonpublic school upload requested documents to secure portal for audit firm review
- Correspond on audit; additional documentation may be requested

Audit Procedure Overview



Audit Procedure Overview

- **The audit will include five separate tests:**
 1. Use of funds (BESE Bulletin 133 – Financial Practices) –
 - a. Program funds are managed using **adequate accounting controls**
 - b. Program funds are spent only on **educational purposes**
 - c. Funds are not spent in a manner that is **grossly irresponsible**
 - d. Funds are not used for **gross individual enrichment**
 2. Tuition and Fees (BESE Bulletin 133 – Financial Practices)
 3. Payment Verification (Enrollment/Attendance Confirmation) (R.S. 17:4014(B))
 4. Income Eligibility (R.S. 17: 4013(2))
 5. Special Education Tuition (BESE Bulletin 133 – Financial Practices)

Audit Schedule



Audit Schedule

- ***October through December 2022***
 - Tuition and Fees Verification (Test 2)
 - Income Eligibility (Test 4)
- ***February 2023 through March 2023***
 - Use of Funds (Test 1. a - d)
 - Payment Accuracy Verification (Test 3)
- ***February 2023 through March 2023***
 - Special Education Tuition (Test 5)

Audit Procedures - Tests 1 through 5



Test 1a): Use of Funds – Adequate Accounting Controls

- A sample of program expenditures will be tested to verify that program funds were managed using adequate accounting controls.

Documentation Needed:

- Program expenditure report (check register or report generated from accounting system)
- Supporting documentation to substantiate the expenditure (original invoice, purchase order, contract, payroll documents, cancelled check and/or bank statement)

Test 1b): Use of Funds – Educational Purposes

- A sample of program expenditures will be tested to verify that program funds were spent only for educational purposes.

Documentation needed:

- Educational Purposes Assurance Form (Collected & Provided by Department)
- Program expenditure report (check register or report generated from accounting system)
- Salary schedule for the current school year (list of employees paid with LSP funds including title, job description, and salary and benefits)

Test 1c): Use of Funds – Gross Irresponsibility

- Two tests will be performed to identify if program funds were managed in a responsible manner:
 1. An assessment of the internal controls over program processes based on the internal control questionnaire collected by Department. This item will be handled by Department staff.
 2. Budget to actual comparison of program expenditures.

Documentation needed:

- Program budget and expenditures document (Provided by Department as reported by School)
- Initial and final number of enrolled scholarship students by grade (Provided by Department as reported by School)
- Approved Tuition and fees charged by grade (Provided by Department)
- Explanations for variances where the actual expenditures to budget are greater than 30%

Test 1d): Use of Funds – Individual Enrichment

- A review of program expenditures will be performed to identify any expenditures indicative of individual enrichment.

Documentation needed:

- Individual Enrichment Assurance Form (Collected and Provided by Department)
- Program expenditure report (check register or report generated from accounting system)
- Salary schedule for the current school year (list of employees paid with LSP funds including title, job description, and salary and benefits)
- Explanation for all salaries and benefits where the total expenditures for any key personnel increased by 15%

Test 2: Tuition & Fee Accuracy

- The tuition and fees charged for a sample of non-scholarship students will be reviewed to verify that the tuition and fee amount charged to paying students is not less than the amount charged to students participating in the Scholarship Program.

NOTE: This portion of the audit will take place soon after the 1st quarter payment is released in Fall 2022.

Documentation needed:

- Tuition and fee schedule for all students (Provided by the Department)
- Policies and Procedures if awarding scholarship/financial assistance to non-scholarship students (if applicable)
- Discounts should be clearly noted in the school's policies and procedures
- Award letters for paying students awarded a scholarship from the school
- Appropriate accounting records to indicate tuition was assessed and appropriate credit was applied upon receipt of a scholarship
- Proof of payment for each selected student

Test 3: Payment Accuracy

- In order to determine that payments are accurate, enrollment and attendance documentation for a sample of new students identified as participating in the program will be reviewed.

Documentation needed:

- Application and enrollment documentation for scholarship students
- Daily attendance roster (manual or electronic)

Attendance data will be requested through the following period for each count date:

- September 1st count date – August 15th through September 16th
- December 1st count date – November 14th through December 16th
- February 1st count date – January 16th through February 17th

Test 3: Payment Accuracy

- Payments of tuition are based on student enrollment
- Therefore, schools must maintain records in order to substantiate that the LSP students were actually enrolled and present on each of the four count dates
- In order to do this, the following documents must be prepared and maintained by the school and available for audit annually:
 - Application and enrollment forms for each LSP student
 - Daily attendance rosters (manual or electronic) inclusive of all LSP students.
 - Auditors will look for a pattern of attendance for a period of time before and after the count date to verify that each student is accurately included in a count. Attendance data will be requested for the following period for each count date:
 - September 1st count date – August 15th through September 16th
 - December 1st count date – November 14th through December 16th
 - February 1st count date – January 16th through February 17th

Test 4: Income Eligibility

- Income eligibility documentation as collected in the registration process, for a sample of new students identified as participating in the program will be reviewed to:
 1. Verify that required and acceptable income verification documentation is on file for each new student contained in the sample, and
 2. That these students meet the income eligibility requirements.

Documentation needed:

- Acceptable income verification documentation for each new participating student selected for testing

Income Eligibility

- Family income cannot be greater than 250% of the current federal poverty guidelines as outlined in the chart below.

250% of 2022 Federal Poverty Guidelines				
Household Size	Yearly Income	Monthly Income	Bi-Weekly Income	Weekly Income
2	\$45,775	\$3,815	\$1,761	\$880
3	\$57,575	\$4,798	\$2,214	\$1,107
4	\$69,375	\$5,781	\$2,668	\$1,334
5	\$81,175	\$6,765	\$3,122	\$1,561
6	\$92,975	\$7,748	\$3,576	\$1,788
7	\$104,775	\$8,731	\$4,030	\$2,015
8	\$116,575	\$9,715	\$4,484	\$2,242
Add this amount for each additional person	\$11,800	\$983	\$454	\$227

If a student participates in any one of these federal assistance programs, income requirements for the scholarship program is met and one of the following forms of documentation is required:

- Louisiana Purchase Card
- SNAP Benefits
- Social Security Benefits

Income Eligibility

- If a student does not participate in a federal assistance program, one of the following documents is required:
 - Federal Tax Return for the 2021 Calendar Year
 - Unemployment Compensation Statement for the Period Ending on December 31, 2021
 - Alimony as shown in Court Decree or Agreement
 - Social Security Benefits Statement for the Period Ending on December 31, 2021
 - Pension Statement for the Period Ending on December 31, 2021
 - DCFS placement form, in the case of foster children

Test 5: Special Education Tuition

- A sample of eligible special education students will be selected to verify that the school is providing services to those students for which tuition was charged.

Documentation needed:

- List of students for which special education tuition is being paid
- Application and enrollment documentation for each participating student receiving special education services
- Daily attendance roster
- Service logs for the selected students must include:
 - Name of student receiving services
 - Date services are rendered
 - Services rendered
 - Name of service provider

Audit Findings



Audit Findings

Audit findings usually fall into two categories with the following outcomes:

- Disallowed School Payments - In the event that the financial audit identifies a finding, payment adjustments will be made by the Department, schools will be required to reimburse the Department for payments received for ineligible student(s), and schools may receive further sanctions.
- Ineligible Students - In addition, ineligible students will lose their Scholarship and be ineligible to receive a new award because they have attended a nonpublic school and therefore, will not meet prior school eligibility requirements.

Fiscal Irresponsibility



Fiscal Irresponsibility Defined

Fiscal irresponsibility may be demonstrated by a school as follows:

- Failing to submit required documentation for the audit according to a timeline established and shared by the Department
- Failing to comply with the aforementioned audit provisions

Consequences of Fiscal Irresponsibility

- Failing to correct violation(s) of the rules may mean a school incurs penalties.
- These penalties include:
 - Being placed on probation for one year, during which time the school will not be allowed to enroll additional Scholarship students.
 - Removal from probation will occur upon correction of the violation(s).
 - Being declared ineligible to participate in the program

Questions



Department Contacts

Louisiana Department of Education

1-877-453-2721

School System Financial Services

Alicia Jeanpierre, State Auditor

Alicia.Jeanpierre@la.gov

Jameka Henderson, State Audit Supervisor

Jameka.Henderson@la.gov

Louisiana Scholarship Program

<https://www.louisianabelieves.com/schools/louisiana-scholarship-program>

