

# FY2012-13 FISCAL RISK ASSESSMENT

## Action Required: Monitor

### June 2013

This category represents districts the Department will monitor regarding specific items either through an already established procedure such as the Audit Resolution Process, or via written inquiries as either a precautionary measure, or to assure continued progress in areas that have been problematic in the past. New charter schools (first year of operation is FY2012-13) are provided a Financial Practices Self-Assessment for completion.

# **FY2012-13 Fiscal Risk Assessment**

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#### **Allen**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – No adequate segregation of functions within the accounting systems of the activity funds.
- Monitored by LDOE through the Audit Resolution Process.

#### **Ascension**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Internal Control over General Ledger Reconciling and Reviewing – General Ledger accounts were not reconciled or reviewed on a timely basis.
  - Material Weakness – Internal Control over Fixed Assets – There is no formalized review process over fixed assets.
  - Material Weakness – Internal Controls over Accounts Payable – The cash disbursement sample resulted in expenditures not being recorded in the proper period.
- Monitored by LDOE through the Audit Resolution Process.

#### **East Carroll**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – General Accounting – Bank accounts had outstanding checks over one year old.
  - Material Weakness – Accounts Payable Disbursements – Inadequate internal controls and procedures in place to ensure that the check amount agrees to the supporting invoice before being paid and that all checks have proper supporting documentation. There were three invoices that were paid twice.
- Monitored by LDOE through the Audit Resolution Process.

##### **J – Consecutive Audit Findings**

- Third year finding: **School Activity Funds** (Unresolved in FY2011-12). Principals and secretaries are not following the procedures established by the Business Manager. There were several instances where deposits could not be traced from inception and where the ticket sheet was incorrectly completed.

#### **Jackson**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Inadequate Internal Control over Financial Reporting – Several Bank reconciliations were not completed timely. Several receipts were not properly posted to the general ledger.
- Monitored by LDOE through the Audit Resolution Process.

##### **J – Consecutive Audit Findings**

- Fourth year finding: **School Activity Funds** (Unresolved in FY2011-12). Deposits were made untimely and there was insufficient supporting documentation for the amounts deposited.
  - Second year finding: **Title I** (Unresolved in FY2011-12). Inadequate internal controls over payroll disbursements. During the audit, it was noted that one employee was overpaid while another was underpaid based on their actual years of experience earned.
- Monitored by LDOE through the Federal Audit Resolution Process.

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#### **Jefferson**

##### **G – Submittal of General Fund Budget Forms**

- 70 Days Late – Unacceptable – LDOE to follow-up with a letter

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Understated Federal Revenue and Expenditures. – \$2.3M in revenue and related expenditures were not recorded on the fund financials as of June 30, 2012.
  - Material Weakness – Journal Entry Review – Improperly recorded audit adjusting journal entries as of July 1, 2011.
  - Material Weakness – Unrecorded Liabilities – \$6.8M in expenses related to goods or services prior to June 30, 2012 were not recorded as a liability of fiscal year-end, as required by GAAP.
  - Material Weakness – School Lunch Fund Deferred Revenues - \$1.2M in deferred revenues (liability) related to the donation of commodities in the school lunch fund.
  - Material Weakness – Unreconciled Cash Balances – 2 cash accounts were not reconciled as of June 30, 2012, one of which had a material bank balance.
  - Material Weakness – Noncompliance with Louisiana Accounting and Uniform Governmental Handbook (LAUGH) – Did not follow the account coding classification as set forth in the LAUGH Manual.
  - Material Weakness – Internal Controls over Receivables – A significant amount of expenses related to FEMA disaster grants were not collected within 60 days of year end and therefore should have reclassified the revenue to deferred revenue after 60 days since the monies was not available to be used to pay liabilities in the current period.
- Monitored by LDOE through the Audit Resolution Process.

#### **Lafayette**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Student Activity Funds – Policies and procedures regarding the proper accounting and safeguarding of assets in school activity funds are not being enforced.
- Monitored by LDOE through the Audit Resolution Process.

#### **Morehouse**

##### **H – Submittal of Annual Financial Report**

- 49 Days Late – Needs Improvement

##### **L – Questioned Costs: Single Audit Report A-133**

- Questioned costs are 5.92% (\$432K) of NCLB Funds.
- Monitored by LDOE through the Federal Audit Resolution Process.

#### **Pointe Coupee**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Budget Law Violation – The actual expenditures of the Sales Tax Fund exceeded budgeted amounts by 10.68%
- Monitored by LDOE through the Audit Resolution Process.

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#### **Rapides**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Recording of Long-term Debt Payments – Improper Recording of Payments: Annual payments to fiscal agents should be recorded as restricted assets as opposed to expenditures in the year paid.
- Monitored by LDOE through the Audit Resolution Process.

##### **J – Consecutive Audit Findings**

- Third year finding: **School Activity Funds** (Unresolved in FY2011-12). Two schools were found to be noncompliant with a few of the school board's policies and procedures.

#### **Sabine**

##### **J – Consecutive Audit Findings**

- Third year finding: **School Activity Funds** (Unresolved FY2011-12). Policies and procedures were not being followed by school personnel. Supporting documentation and required signatures were not present on invoices and purchase requisitions.

#### **St. Helena**

##### **H – Submittal of Annual Financial Report**

- 92 Days – Unacceptable

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Davis-Bacon Act – The school board entered into an agreement with a contractor to provide services, yet the auditors were unable to review documentation to ascertain that the school board or its designee monitored the renovation contractor's compliance with the requirements of the Davis-Bacon Act.
- Monitored by LDOE through the Audit Resolution Process.

#### **Tangipahoa**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Accounting and Reporting for Capital Assets – A number of assets were recorded in the new accounting system improperly resulting in an inaccurate depreciation calculation.
- Monitored by LDOE through the Audit Resolution Process.

#### **Webster**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Capital Assets – Differences were noted in the amount of the building costs added and the amount in the construction in progress accounts. There was also a vehicle that was not added to the depreciation schedule by the School Board.
  - Material Weakness – Financial Management – Financial records were not reviewed timely with supporting documentation to ensure that the transactions were properly recorded and classified in the accounting records.
- Monitored by LDOE through the Audit Resolution Process.

##### **J – Consecutive Audit Findings**

- Third year finding: **School Activity Funds** (Unresolved FY2011-12). Inadequate internal control procedures in place for the recording of receipts and disbursements at all schools.

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#### **City of Baker Schools**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Reconciliation of Fixed Assets – Total fixed assets records are not reconciled to the amount reported on the financial statements on a regular basis.
- Monitored by LDOE through the Audit Resolution Process.

#### **Central Community Schools**

##### **H – Submittal of Annual Financial Report**

- 49 Days Late – Needs Improvement

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Lack of Preparation of Reconciliations and Review Thereof – Lack of preparation of timely reconciliations of the various accounts comprising many of the major accounting cycles of the school system's various funds.
  - Material Weakness – Financial Statement Closing Process – Lack of formal financial closing process procedures.
  - Material Weakness – Bank Reconciliations – Operating cash account was not being reconciled timely.
  - Material Weakness – Capital Outlay and Depreciation Schedule Reconciliations – The construction worksheets for each project that management provided were not complete and were missing transactions related to a particular project.
- Monitored by LDOE through the Audit Resolution Process.

#### **(341001) D'Arbonne Wood Charter School**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Internal Controls – Significant deficiencies in the design and implementation of internal controls. The School did not have sufficient controls to ensure that school functions were handled appropriately.
  - Material Weakness – Personnel and Payroll – The school inaccurately calculated the compensated absences and there was no documentation to support the time transferred in from other school districts.
  - Material Weakness – Contributions and Fundraisers – The school did not differentiate monies contributed as compared to those from outside sources. There was no accounting for the revenues earned from several fundraisers or the associated cost of benefits to donors.
  - Material Weakness – Debit/Credit Cards – The LLA has required an additional Agreed-Upon Procedures engagement to be conducted. There were no written policies and procedures related to debit/credit cards in place for the period and no evidence that any of the bank statements were reviewed for approval of the debit card purchases, including supporting documentation.
  - Material Weakness – Policies and Procedures – The policies and procedures currently in place are repetitive in some areas and incomplete or nonexistent in other areas. Policies and procedures are not noted as to whether Board approved, date of such approval nor date of implementation.
- Monitored by LDOE through the Audit Resolution Process.

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#### **(389002) Kenilworth Science and Technology School**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Reconciliation of Grants Receivable and Revenue Accounts to Supporting Documents. – Receivable and Revenue General Ledger Accounts did not agree to supporting documentation as the accounts were not properly reconciled to the general ledger.
- Material Weakness – Reconciliation of Accounts Payable, Accrued Expenses, and Operating Expenses – Accounts Payables, Accrued Expenses, and Operating Expenses did not agree to supporting documentation and were not recorded in the correct period.
- Material Weakness – Inventory and Asset Detailed Records Not Up-to-date – Updated records for property and equipment items were not being maintained.
- Material Weakness – Record Depreciation – Depreciation expense had not been recorded.

-Monitored by LDOE through the Audit Resolution Process.

#### **(390001) James M. Singleton Charter School**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Federal Award Program – Inadequate oversight necessary to ensure the completeness of internal control processes and procedures over its significant general ledger accounts and financial reporting. Absence of documented evidence of supervisory review and/or approval beyond the preparer.

-Monitored by LDOE through the Audit Resolution Process.

*The following charter schools have a fund balance that increased from the prior year but remains at a level that is categorized as unacceptable or needs improvement. LDOE will continue to monitor these schools closely through the quarterly financial review process.*

#### **(344001) International High School of New Orleans (VIBE)**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- Over the last two years (First year operation FY2010-11), the General Fund Balance increased from .26% to 3.56% of General Fund Revenues.

#### **(369001) Batiste Cultural Arts Academy at Live Oak Elementary (ReNew)**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- Over the last two years, the General Fund Balance increased from 1.15% to 5.81%.

#### **(369002) SciTech Academy at Laurel Elementary (ReNew)**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- Over the last two years, the General Fund Balance increased from 3.81% to 6.28%.

#### **(384001) Miller-McCoy Academy**

##### **I – Audit Opinion on Internal Controls**

- Material Weakness – Contract Review and Approval – Contracts were not being approved by the Board.

-Monitored by LDOE through the Audit Resolution Process.

##### **S – General Fund Balance as a percentage of General Fund Revenues**

- Over the last four years, the General Fund Balance increased from -5.80% to 4.60% of General Fund Revenues.

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#### **(398001) KIPP Believe Edward Phillips Learning Academy**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- Over the last three years, the General Fund Balance increased from 3.63% to 6.23% of General Fund Revenues.

#### **(398005) KIPP Renaissance High School**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- Over the last two years, the General Fund Balance increased from 4.23% to 5.45% of General Fund Revenues.

#### **(398006) KIPP New Orleans Leadership Academy**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- Over the last two years, the General Fund Balance increased from .05% to 4.62% of General Fund Revenues.

*The following charter schools ended the first year of operation with a low fund balance. LDOE will continue to monitor these schools closely through the quarterly financial review process.*

#### **(399003) Joseph Clark High School (FirstLine)**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- General Fund Balance is 2.13% of General Fund Revenues.

#### **(369003) Reed Elementary School (ReNew)**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- General Fund Balance is 4.58% of General Fund Revenues.

#### **(369004) ReNew Accelerated High School, City Park**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- General Fund Balance is 5.02% of General Fund Revenues.

#### **(369005) ReNew Accelerated High School, West Bank**

##### **S – General Fund Balance as a Percentage of General Fund Revenues**

- General Fund Balance is 1.80% of General Fund Revenues.