

**FY2014-15 Fiscal Risk Assessment**  
**Action Required: Monitor**  
**June 2015**

**Assumption**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Compliance with Bid Law – Purchased mower and playground equipment without acquiring three quotes.
  - Material Weakness – Compliance with Bid Law – Declared emergency repair for restroom without publishing emergency in public journal.
- Monitored by LDOE through the Audit Resolution Process.

**Avoyelles**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Incorrect Coding of Disbursements – Four instances of incorrectly coded expenditures were noted in the sample tested. General Fund expenditures were miscoded and reported in the incorrect expenditure classification causing inaccurate General Fund reporting and budgetary analysis.
  - Material Weakness- Inaccurate Student Counts as of October 1, 2014 – Four discrepancies were noted in the roll books for selected classes compared to student counts provided to the auditors by the Avoyelles Parish School Board. Source data is derived from three sources and they are not reconciled and cross tested each year. Not all teachers use the electronic attendance reporting system in place for the school system and roll books are not reconciled to the October 1 count.
- Monitored by LDOE through the Audit Resolution Process.

**Bienville**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Separation of Duties – Employees processing accounts payable have access to add new vendors in the system
- Monitored by LDOE through the Audit Resolution Process.

**Bossier**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Financial Management – Bossier had a lack of segregation of duties, their financials were not consistently presented to The Board, and The Board did not set up inter-fund balances in a timely manner
    - Response – New software and the conversion process were the causes of most of the issues cited by the auditors. These issues have been corrected.
- Monitored by LDOE through the Audit Resolution Process.

**Caddo**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Insufficient internal controls over payroll – Security profiles and system access to human resources and payroll modules are not periodically reviewed to ensure access is properly restricted.
- Monitored by LDOE through the Audit Resolution Process.

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#### **Concordia**

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

- Material Weakness – Fixed Asset Recordkeeping – Fixed asset depreciation could not be reconciled to general ledger
- Material Weakness – Payroll recordkeeping – Various employees were overpaid or underpaid, reconciliations of quarterly Form 941s to the general ledger not being conducted
  - Response – There were several issues relative to employee overpayments, the excess usage of manual checks, and the untimely reconciliation of federal reporting cited. The payroll staff advised that, with the exception of one outstanding supplement payment, all of the issues have been resolved. The payroll supervisor is reviewing the payrolls prior to being submitted to the banks for employee direct deposit and the general ledger reconciliations are being made on a timely basis.

-Monitored by LDOE through the Audit Resolution Process.

#### **Jackson**

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

- Material Weakness – Sinking Fund Requirements – Significant fund balance remaining in debt service fund after the debt was paid in full.
  - Response – A levy was made on a debt without assuring that over collections would not occur. The Jackson Parish School Board reached out to the LLA and legal counsel to remedy the over collection. Procedures are now in place to ensure this does not occur again. There are no more debt related ad valorem revenues for Jackson Parish School Board at this time.

-Monitored by LDOE through the Audit Resolution Process.

#### **Jefferson**

##### **K – Fraud**

- Fraud Incident – Student Activity Fund – From Fall 2012 through December 2013, the School System experienced theft of approximately \$75,000 in student activity funds by an employee at one of its high schools. The Jefferson Parish Sheriff's Office and the District Attorney were immediately notified. In October 2014, the School System notified the Legislative Auditor of the misappropriation of assets. In May 2014, the School System was able to recover \$71,060 through insurance claims resulting in a net loss to the School System of approximately \$4,000. The investigation is ongoing.
  - Response – The internal auditor and the student activity account coordinator now run Edit Reports to indicate changes made to receipts and disbursements. Edits that indicate a change in the amount are investigated. School personnel cannot run or make changes to the Edit Report.

-Monitored by LDOE through the Audit Resolution Process.

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#### Lafayette

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

- Material Weakness – School activity funds – Policies and procedures regarding proper accounting and safeguarding of assets in school activity funds are not being enforced.
- Material Weakness – Issues of Noncompliance – Lack of proper controls regarding the collection and remittance of sales tax, including interest and penalties, resulting in noncompliance with LA. R.S. 47:337.

-Monitored by LDOE through the Audit Resolution Process.

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

- Fourth year finding: School Activity Funds (Unresolved in FY2013-14) – Policies and procedures regarding proper accounting and safeguarding of assets in school activity funds are not being enforced.

-Monitored by LDOE through the Audit Resolution Process.

#### Madison

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

- Material Weakness – Sales tax collector – No controls in place to ensure charges are correct, monies received are properly deposited or that payments are made in a timely manner and in appropriate amounts. The School Board is not ensuring that all businesses are paying their sales taxes and occupational license fees.
- Material Weakness – General status of the business department – Key positions (payroll, human resources, purchasing, Federal programs, and sales tax collector) are staffed by one employee. Lack of cross training in each of these key positions.
- Material Weakness – School Activity Funds – Pre-numbered receipts were not used to record transactions, bank reconciliations were limited, invoices for disbursements did not always reflect the purpose of the transaction
- Material Weakness – Local Government Budget Act – Budget was not amended to reflect an increase of expenditures greater than 5%
- Material Weakness – Financial statement not filed timely – The School Board was unable to provide information to the auditors in time for the School Board to submit to the Louisiana Legislative Auditor within the prescribed time period
- Material Weakness – Internal Controls Federal – New personnel were not appropriately trained, as a result, bookkeeping errors occurred that were not discovered nor remedied

**Note:** The school board has contracted with a CPA firm to act as the Business Manager. The Business Manager is currently reviewing procedures and policies and evaluating current personnel.

-Monitored by LDOE through the Audit Resolution Process.

#### Morehouse

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

- Material Weakness – Budget Approval Requirements – The budget was adopted October 17, 2013; RS17:88 states that a budget must be adopted no later than September 15.

-Monitored by LDOE through the Audit Resolution Process.

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**Ouachita**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Local Government Budget Act – The budget was not amended to reflect an increase in revenues greater than 5%
- Monitored by LDOE through the Audit Resolution Process.

**Richland**

**J – Consecutive Audit Findings**

- Fourth year finding: School Activity Funds – Policies and procedures were not followed by school personnel. Supporting documentation and required signatures were not present on invoices and purchase requisitions.
- Monitored by LDOE through the Audit Resolution Process.

**St. John the Baptist**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – LAUGH Manual Compliance – The School Board did not consistently use the proper account codes for certain capital outlay, repair and maintenance, and supply expenses in accordance with LAUGH manual. The capital asset listing and schedule of construction in progress required material audit adjustments.
- Monitored by LDOE through the Audit Resolution Process.

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

- Questioned costs are 8.55% (\$263K) of NCLB Funds.
    - School Lunch Eligibility – Questioned costs are \$211,267. The School Board was unable to provide documentation on the eligibility status of four students classified as eligible for free lunch.
    - Title I Allowable Costs – Questioned costs are \$51,428. Time certification for one teacher was not available. This teacher was erroneously included on Title I reimbursement requests.
- Monitored by LDOE through the Federal Audit Resolution Process.

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**St. Landry****I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Issues of Noncompliance – The School Board made improper payments for excess insurance premiums.
- Material Weakness – Issues of Noncompliance – The School Board deposits were not fully collateralized at June 30, 2014.
- Material Weakness – Issues of Noncompliance – The budget was not prepared in the required format.
- Material Weakness – Student Activity Fund – Inadequate oversight of the student activity accounts.
- Material Weakness – Fixed Assets Inventory – The School Board did not conduct a physical inventory of fixed assets.

-Monitored by LDOE through the Audit Resolution Process.

**J – Consecutive Audit Findings**

- Fourth year finding: Donation/Gift of Public Funds (Unresolved FY2013-14) – 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 School Board’s attorney sent out letters requesting payment on the remaining balance in an effort to collect funds before the prescriptive period ends.
- Fourth year finding: Suspended/Debarred Vendors – The School Board did not verify eligibility of vendors by checking the Excluded Parties List System maintained by the General Services Administration and retaining documents support the search.

-Monitored by LDOE through the Audit Resolution Process.

**St. Martin****I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Issues of Noncompliance – The budget was adopted September 25, 2013; RS17:88 states that a budget must be adopted no later than September 15.
- Material Weakness – Misappropriation of Funds – An employee misappropriated approximately \$19,935. This matter is still being investigated by the District Attorney’s Office.

-Monitored by LDOE through the Audit Resolution Process.

**St. Mary****J – Consecutive Audit Findings**

- Third year finding: Highly Qualified Teachers (resolved FY2013-14) – St. Mary failed to meet the NCLB requirement to ensure all teachers of core academic subjects in a program supported by Title I, Part A funds meet specific qualifications.

-Monitored by LDOE through the Audit Resolution Process.

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**Vernon****I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Cash Deposits Under-Secured – Deposits held at two banks were under-secured by \$2,227,085 at one bank and by \$27,858 at a second bank. The bank did not monitor cash balances at the end of the fiscal year and the School Board did not advise the bank of large deposits or securities to be pledged near year end. The School Board is not in compliance with Louisiana State Law and is potentially exposed to a large custodial credit risk if accounts are under collateralized.
- Monitored by LDOE through the Audit Resolution Process.

**Webster****I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Separation of Duties – Persons processing payroll also have access to enter new employees or make changes to employee master files
- Monitored by LDOE through the Audit Resolution Process.

**J – Consecutive Audit Findings**

- Fifth year finding: School Activity Funds (Unresolved FY2013-14) – Inadequate internal control procedures in place for the recording of receipts and disbursements at all schools.
  - Fourth year finding: Fixed Asset Accounting/Movable Property (Resolved FY 2013-14) – Webster did not consistently account for construction in progress added to its capital assets listing.
- Monitored by LDOE through the Audit Resolution Process.

**West Carroll****J – Consecutive Audit Findings**

- Third year finding: School Activity Funds (Unresolved FY2013-14) – Inadequate internal control procedures in place for the recording of receipts and disbursements at all schools.
- Monitored by LDOE through the Audit Resolution Process.

**City of Monroe****I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Maintenance of General Ledger Accounting – Several discrepancies with general ledger accounting records with respect to cash, accounts payable, and payroll
- Material Weakness – Bank Reconciliations – Bank reconciliation for the master bank account was not prepared in a timely manner
- Material Weakness – Maintenance of Capital Asset Records – Difficulty obtaining materially correct schedules and supporting documentation for capital assets and related expenditures
- Material Weakness – Timely Filing of Audit Report – Due to the material weaknesses described above, the School Board was not able to submit its audited financial

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statements to the Louisiana Legislative Auditor within six months of the School Board's fiscal year, as required by R.S. 24:513.

-Monitored by LDOE through the Audit Resolution Process.

### **City of Baker**

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

- Material Weakness – Fixed Assets Accounting Records and Internal Controls – Fixed asset records are not being reconciled to the general ledger on a timely basis. Fixed asset personnel are not recording completed projects into the accounting system. In addition, the detail of accounting transactions recorded into the fixed asset software during the current fiscal year was inadvertently purged when rolling forward to the next fiscal year.
- Material Weakness – Credit Card Usage – The established internal control procedures over credit card purchases were not being implemented by School Board personnel during the fiscal year.

-Monitored by LDOE through the Audit Resolution Process.

### **Central Community**

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

- Material Weakness – Internal Control Over Financial Reporting – Lack of preparation of reconciliations and review of general ledger balances.
- Material Weakness – Financial Statement Closing Process – No formal financial closing process procedure. Reconciliations and closing process was not done in a timely fashion.
- Material Weakness – Bank Reconciliations – Bank accounts are not being reconciled timely.
- Material Weakness – Segregation of Duties related to Payroll and Processing – Same employee has the ability to modify settings for changes in deductions and salary adjustments
- Material Weakness – Capital Outlay and Depreciation Schedule Reconciliations – Although management updated the schedules, the initial schedules received required additional adjustments and corrections in order to get them to reconcile to the general ledger and the contract commitments information were incomplete.
- Material Weakness – Incorrect Reporting of Cafeteria Plan Wages - It was noted that qualified section 125 cafeteria plan employee benefit withholdings had been incorrectly set up in the School System's payroll software as taxable for Medicare tax purposes.

-Monitored by LDOE through the Audit Resolution Process.

### **300 New Beginnings:**

001 Pierre A. Capdau Learning Academy

002 Medard Nelson Elementary

003 Lake Area New Tech High School

004 Gentilly Terrace School

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

- Material Weakness – Payroll Review and Approval – New Beginnings did not document the review and approval of payrolls processed

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- Material Weakness – Student Activity Funds – During the first four months of operation, recipients of monies did not always issue receipts, transactions were not posted to the general ledger, receipt books not periodically inspected or reconciled, and collections were not submitted daily to the appropriate person for deposit
- Monitored by LDOE through the Audit Resolution Process.

**339001, Milestone Academy**

- The LDE was notified on June 10, 2015 of a potential situation involving the misuse of public funds by an employee of the school. The school's attorney is in the process of notifying the appropriate authorities so a proper investigation can proceed. The Department will follow-up with the school on this matter. This may include conference calls, site visits, special audits, etc.

**367001, E.P. Harney Spirit of Excellence Academy**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Unrecorded Payroll Related Liabilities – A prior period adjustment to beginning net assets was needed to properly state various payroll liabilities
- Monitored by LDOE through the Audit Resolution Process.

**373001, Arise Academy**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Debit Card Theft – Lack of controls to properly monitor and prevent theft.
- Monitored by LDOE through the Audit Resolution Process.

**K – Fraud**

- Fraud Incident – Debit Card Theft – ARISE experienced theft in the amount of \$9,341. ARISE did not immediately notify LLA of theft
  - Response – ARISE immediately fired the employee, and alerted the Board and the New Orleans Police Dept. The employee was arrested and Arise was reimbursed through insurance claims. The COO was not aware of the required timeline in LA RS:523 and believed taking formal action against the employee was more pressing.
- Monitored by LDOE through the Audit Resolution Process.

**373002, Mildred Osborne Elementary**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Debit Card Theft – Lack of controls to properly monitor and prevent theft.
- Monitored by LDOE through the Audit Resolution Process.

**397001, Sophie B. Wright Charter School**

**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Internal Controls Over Expenditures – Several expenditures had no purchase requisition or order; no specific controls over the use and authorization of credit card purchases
- Monitored by LDOE through the Audit Resolution Process.

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**398 KIPP:**001 KIPP Believe/Edward Phillips002 KIPP McDonogh #15 School for Creative Arts003 KIPP Central City Academy004 KIPP Central City Primary006 KIPP New Orleans Leadership Academy**I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Internal Controls over Payroll – Personnel files for the sample of employees tested did not have documentation, including offer letters, proof of employment, or approved rate of pay.
  - Response – KIPP hired a Human Resources Director and will hire an additional Human Resources staff member to increase capacity and ensure compliance with laws and regulations.
- Material Weakness – Student Activity Funds – KIPP does not have formal policies and procedures in place to ensure school activity funds are monitored by the principals and expenditures are approved in accordance with the state statute.
  - Monitored by LDOE through the Audit Resolution Process.

**3A1001, Jefferson Chamber Foundation – East****R – General Fund Deficit Spending**

- Deficit Spending occurred in FY2013-14 (First year of operation).

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

- General Fund Balance is -2.61% of General Fund Revenues (First year of operation) (Unacceptable).

**Note:** It was later determined that an error in reporting caused the appearance of deficit spending and a negative fund balance. Accurate reporting indicates there is actually a 3.8% general fund balance. The Department of Education will assist them to ensure correct reporting in the future.

**3A7001, Louisiana Key Academy****I – Audit Opinion on Internal Controls and Compliance**

- Material Weakness – Preparation of Financial statements and Financial Oversight – The School relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the School's internal control structure.
  - Monitored by LDOE through the Audit Resolution Process.

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

**3A4001, Delta Charter Academy**

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

- General Fund Balance is 4.02% of General Fund Revenues (Unacceptable).

*The following charter schools have a fund balance that increased from the prior year but remains low. LDOE will continue to monitor these schools closely through the quarterly financial review process.*

**382002, George W. Carver Collegiate Academy**

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

- General Fund Balance is 5.1% (1.97% in the prior year) of General Fund Revenues (Needs Improvement).

**382003, George W. Carver Preparatory Academy**

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

- General Fund Balance is 4.58% (1.09% in the prior year) of General Fund Revenues (Unacceptable).

*The following charter schools opened in FY2014-15, therefore no fund balance information is available. LDOE will continue to monitor these schools closely through the quarterly financial review process.*

**3A8001 Impact Charter**

**3A9001 Vision Academy**

**3B1001 Advantage Charter Academy**

**3B1002 Willow Charter Academy**

**3A3002 Iberville Charter Academy**

**328002 Lake Charles College Prep**

**3B5001 Northeast Claiborne Charter**

**3B6001 Acadiana Renaissance Charter Academy**

**3B6002 Lafayette Renaissance Charter Academy**

**398007 KIPP East Community Primary**

**3AP001 Celerity Lanier Charter School**

**3AP002 Celerity Crestworth Charter School**

**3AP003 Celerity Dalton**

**3AQ001 Baton Rouge University Prep Elementary**

**3B9001 Capitol High School**