

---

**MADISON PARISH SCHOOL BOARD  
INTERNAL CONTROLS REPORT**

---

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-22-06



---

**MADISON PARISH SCHOOL BOARD  
INTERNAL CONTROLS REPORT**

---



**Postlethwaite & Netterville**

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
[www.pncpa.com](http://www.pncpa.com)

December 21, 2005

Dr. Michael Johnson  
Superintendent  
Madison Parish School Board  
301 South Chestnut Street  
Tallulah, LA 71282

**RE: Madison Parish School Board Internal Controls Report**

Dear Dr. Johnson,

In connection with our agreed upon procedures engagement with Madison Parish School Board (MPSB) to assist you in determining whether internal controls related to certain payroll and credit card procedures are operating effectively and efficiently based upon our samples, P&N observed several areas where internal controls could be strengthened. The below report summarizes our procedures, observations, and recommendations for improving internal controls.

We appreciate the opportunity to assist you in the agreed upon procedures engagement and internal controls assessment. We also want to express our appreciation to your staff for the assistance and courtesies extended to us in the completion of this project. We look forward to the opportunity to work with you again.

*Postlethwaite & Netterville*

POSTLETHWAITE & NETTERVILLE

**MADISON PARISH SCHOOL BOARD**

**INTERNAL CONTROLS REPORT: OBSERVATIONS AND RECOMMENDATIONS**

---

**PROCEDURES:**

- I. Distributed Internal Control Questionnaires (ICQ), interviewed the appropriate personnel, and reviewed various reports related to certain payroll and credit card procedures to gain an understanding of the controls in place.
- II. Made recommendations for improvement in the pages that follow, as needed, based on our observations, inquiries, and procedures performed during our agreed upon procedures engagement.

**MADISON PARISH SCHOOL BOARD**  
**INTERNAL CONTROLS REPORT: OBSERVATIONS AND RECOMMENDATIONS**

---

***Credit Card Processing / Accounts Payable***

**OVERVIEW:**

In connection with our agreed upon procedures engagement testing, P&N observed credit card transaction in which the business purpose could not be determine. **P&N recommends that these items being reviewed further in order to determine if a legitimate business purpose existed for such transactions.** In addition, listed below are additional observations and recommendations for MPSB consideration to improve internal controls.

**OBSERVATIONS AND RECOMMENDATIONS:**

**1. Policies and Procedures**

It does not appear that MPSB has written policies and procedures addressing the credit card processes of the organization. In addition, while performing our credit card transaction agreed upon procedures, P&N noted the following:

- It appears that there is a lack of understanding of the MPSB credit card accounts in existence and employees with access to the respective credit cards.
- There were several instances noted in our testing in which documentation (i.e., original receipts, invoices) supporting the vendor credit card statement could not be located. After further inquiry, P&N was informed original receipt documentation is not consistently being obtained and/or reviewed for accuracy and completeness with the vendor's credit card statement prior to payment.
- There was no purchase requisition/purchase order process in place to monitor and approve purchases being made with MPSB funds prior to purchase.
- Documentation of management and/or supervisor approval was not evidenced for the majority of the transactions tested.

Lack of formally documented policies and procedures increases the risk that actual practices will not be in accordance with the organization's objectives and at established risk tolerance levels. When specific guidelines are not established and communicated, there is room for interpretation, decreasing the likelihood that procedures will be consistent with the organization's objectives and goals.

**Recommendation:**

In an effort to manage risk and increase the likelihood that established organizational objectives and goals will be achieved, we recommend that MPSB establish written policies and procedures related to the credit card processes. The policies and procedures should address, but not be limited to, the following:

- Guidelines and approval requirements for establishing MPSB credit card accounts with vendors. These guidelines should address the following at a minimum:
  - The required request documentation and approval process to be followed prior to establishing credit card accounts;
  - Individuals authorized to establish a credit card account on behalf of MPSB and the respective authorized credit limits;
  - Procedures for addressing the issuance of MPSB credit cards to employees and the required management approval. Additionally, cardholders should be required to sign cardholder agreements indicating their responsibilities for the use of MPSB funds; and

## **MADISON PARISH SCHOOL BOARD**

### **INTERNAL CONTROLS REPORT: OBSERVATIONS AND RECOMMENDATIONS**

---

- Procedures outlining record retention requirements. MPSB should require that a listing of credit cardholders be documented and appropriately updated to ensure that all company credit cards are accounted for and/or returned/inactivated in a timely manner upon employee termination, if applicable.
- Guidelines establishing the appropriate uses and/or authorized purchases to be made with company credit cards. P&N also recommends that MPSB significantly reduce the number of credit cards issued to employees.
- Procedures establishing the requirements for making purchases on behalf of MPSB, approval, and documentation to be retained. MPSB should consider utilizing purchase orders; however, these should be routed and approved prior to the purchase of the goods.
- Guidelines for payment processing, including required supporting documentation (e.g., original receipts/invoices) related to these credit card accounts. Management should consider implementing the following:
  - Require that management and/or supervisor review and approval of transactions be performed and documented prior to payment;
  - Require that original receipt/invoice documentation be provided to support the credit card statements prior to payment. Payment based solely on credit card statements should be prohibited; and
  - Require that Accounts Payable personnel reconcile the original receipt/supporting documentation provided to the vendor statements prior to payment to ensure that all charges are appropriately supported. All supporting documentation should be retained in the Accounts Payable files to support the disbursement.
- Procedures for performing bank reconciliations, including responsible parties, frequency of review, and documentation requirements.

When establishing these policies and procedures, MPSB should ensure that segregation of duties and proper management oversight is incorporated (e.g., the individuals requesting and/or processing payments are not the same as the person approving the payment or reconciling the account). Management should ensure that all policies and procedures are communicated to the appropriate personnel. In addition, all policies and procedures should be reviewed and updated, as appropriate, at least on an annual basis.

#### **2. Segregation of Duties**

It appears that there is a segregation of duties concern in the Accounts Payable area, including credit card payments. Currently, MPSB Accounts Payable Clerks perform the following functions: set up new vendors, process accounts payable disbursements, prepare/make deposits, and reconcile operating bank accounts. In addition, there is no secondary review and/or approval for accounts payable activity or reconciliations to ensure the accuracy and/or appropriateness of the items being processed. Lack of proper segregation of duties increases the risk that assets could be misappropriated and be undetected (e.g., process unauthorized accounts payable checks).

#### **Recommendation:**

In order to decrease the risk of misappropriation of assets, management should consider the following for optimal internal controls:

- Segregate the job duties establishing new vendors, processing disbursements, preparing and making deposits, and reconciling bank accounts.

## **MADISON PARISH SCHOOL BOARD**

### **INTERNAL CONTROLS REPORT: OBSERVATIONS AND RECOMMENDATIONS**

---

- Assign reconciliation duties to someone other than the primary person and primary backup performing the function.
- Consider establishing a Business Manager position in an effort to ensure that the necessary oversight and supervisory functions over business operations is taking place. Individuals responsible for such oversight should be knowledgeable of the review areas and have appropriate authority to follow-up with any concerns identified.
- Implement strong monitoring procedures (e.g., timely and accurate bank reconciliations by an independent party). The bank account reconciliations should be reviewed by a second individual to ensure accuracy and completeness. The preparation and review should be conducted in a timely manner (e.g., monthly) and documentation of the preparation/review should be evidenced on the bank reconciliation.

#### **3. Accounts Payable Blank Check Stock**

Based on our review of the internal control questionnaire responses and our onsite procedures, we observed that the accounts payable blank check stock is stored in the MPSB office break room. Therefore, anyone accessing the break room also has access to the blank check stock.

##### **Recommendation:**

Management should ensure that blank check stock is appropriately restricted, locked, and stored in a secure location at all times to decrease the likelihood of unauthorized access and misappropriation of MPSB assets.

#### **4. Purchasing Procedures**

Based on our agreed upon procedures testing, P&N noted numerous computer, computer equipment, printer, and ink cartridge purchases made at the vendors tested (Wal-Mart, Sam's, Office Depot, Office Max). It does not appear that MPSB has a negotiated contract for these types of purchases with the respective vendors.

##### **Recommendation:**

Management should consider bulk purchasing with a wholesaler or dealers and/or soliciting contract bids from multiple vendors for routine supplies and computer equipment in an effort to ensure that the best pricing is obtained for such frequent purchases.

**MADISON PARISH SCHOOL BOARD**  
**INTERNAL CONTROLS REPORT: OBSERVATIONS AND RECOMMENDATIONS**

---

***Payroll***

**OVERVIEW:**

During our agreed upon procedures engagement testing, P&N was unable to complete the detailed test work in this area due to time and budget constraint. However, based on our limited testing, P&N believes that further attention is warranted in this area. In addition, listed below are additional observations and recommendations for MPSB consideration to improve internal controls.

**OBSERVATIONS AND RECOMMENDATIONS:**

**1. Human Resource Procedures**

P&N noted the following limitations in the current control structure within the human resource function:

*a. Human Resource Department*

Currently, MPSB does not have a formal Human Resource Department. As a result, it appears that there is limited oversight and supervision of the hiring and termination practices of MPSB. During procedures, P&N noted a lack of understanding of individuals actually employed by MPSB. For instance, an accurate listing of active/current employees could not easily be generated from the payroll system. In order to obtain a listing of active employees, the MPSB office had to request school Principals and Department Supervisors to create a manual list and certify (by signature) the accuracy of the listing. Furthermore, it appears that there are not formal procedures establishing hiring procedures to ensure that appropriate approvals are obtained.

*b. Segregation of Duties*

It appears that the Payroll Clerk is responsible for performing various function related to payroll and personnel areas creating a segregation of duties concern (i.e., inputting new hire and termination information, posting vacation/sick time, inputting hours worked for part-time employees, generating the monthly payroll, inputting and generating stipend pay, etc.). P&N was also informed that there is no secondary review of new hire or employee data change information after it is input into the payroll software by the Payroll Clerk.

*c. Payroll Information Review*

It appears there are no procedures in place to verify the accuracy of the payroll information input into the payroll. For instance, based on P&N's review of the MPSB September 2005 payroll check distribution results, MPSB identified a few employees that were incorrectly coded in the payroll system (i.e., full time teachers were coded as day by day substitute teachers and paychecks were not properly generated, a terminated teacher was coded as an active employee and was issued a paycheck after the employee's termination date). After further research by MPSB personnel, it was determined that problems resulted from system input errors, which were not detected in a timely manner (e.g., only detected because MPSB performed a physical handout of paychecks).

*d. Personnel File Documentation*

There is no consistency in documentation obtained and retained at the time of hire and/or termination. There is currently no requirement to provide documentation or authorizing the termination of an employee. The Payroll Clerk informed P&N that most terminations are communicated verbally. Additionally, the Payroll clerk informed P&N that payment will be

## MADISON PARISH SCHOOL BOARD

### INTERNAL CONTROLS REPORT: OBSERVATIONS AND RECOMMENDATIONS

---

made to an individual if a timesheet is received, regardless of whether notification has or has not been received regarding the validity of the individual's employment.

*e. Notification of Employment and/or Termination*

It appears that the Payroll Clerk is not always made aware of the hiring and/or termination of employees in a timely manner. For example, based on a review of the MPSB September 2005 payroll check distribution, MPSB personnel determined that a paycheck was generated and paid to a terminated employee in error.

**Recommendation:**

Management should consider performing the following in order to enhance the controls over the human resource/payroll function:

- Hire a Human Resource Manager to be responsible for overseeing the hiring and termination practices of MPSB.
- Ensure that all new hires and terminations are initiated and handled by the Human Resource Manager.
- Create and utilize personnel action notices or checklists detailing all required documentation and approvals that must be obtained prior to the processing of new hires, terminations, or changes in employee data (i.e. address changes, changes in position, etc.). All personnel action notices or checklists should be reviewed and approved by the Human Resource Manager prior to updating the system.
- Ensure that Payroll is made aware of all new hires and terminations in a timely manner to make certain that only authorized individuals are receiving payment.
- Segregate the job duties within the human resource and payroll functions:
  - The human resource representative should have access to update the employee electronic file information (e.g., new hire information, updating the personnel files for pay rate changes, and terminations); however, not to input and process payroll files (e.g., generate paychecks); and
  - The payroll clerk should have access to generate checks (e.g., input of timesheet information, payroll processing, and distribution of payroll checks); however, not to edit employee electronic file information.
- Require that personnel file information be maintained by the Human Resource Manager. These items should be stored in a central, restricted, and secured location.
- Implement periodic monitoring procedures to ensure the accuracy and authorization of changes made in the payroll (e.g., ensure new hire and/or termination information detailed on the notice/checklist matches the respective payroll system edit reports and was properly approved). This review should be documented (e.g., have reviewer sign off on the applicable report).

*Please see other policy and procedure recommendations below in #2. Written Policies and Procedures and*

**2. Written Policies and Procedures**

It does not appear that MPSB has documented policies and procedures addressing the payroll/personnel processes and documentation requirements of the organization. Lack of formally documented policies and procedures increases the risk that actual practices will not be in accordance with the organization's objectives and at established risk tolerance levels. When specific guidelines are not established and communicated, there is room for interpretation, decreasing the likelihood that procedures will be consistent with the organization's objectives and goals.

**Recommendation:**

In an effort to manage risk and increase the likelihood that established organizational objectives and goals will be achieved, P&N recommends that MPSB establish written policies and procedures related to the payroll/personnel processes of the organization. The policies and procedures should address, but not be limited to, the following areas:

- Procedures for hiring and obtaining appropriate board approval for all new employees.
- Procedures for communicating the hiring and terminating of employees to the appropriate payroll personnel.
- Guidelines for maintaining personnel files to ensure all appropriate documentation is obtained at the time of hire, termination, or changes during the employment term (i.e., change in position, teaching certifications, proof of experience, degree level, letter of resignation, changes to employee benefit elections, etc.).
- Procedures to address the storage location of personnel files. MPSB should require that such items are stored in a central, restricted, and secured location.
- Review and approval requirements for employee time records, including overtime hours, as well as sick and vacation time.
- Guidelines for add-on pay and stipend pay, including eligibility requirements, required supporting documentation, approval requirements, and record retention requirements.
- Procedures for processing and approving payroll, including an independent secondary review of payroll registers to be performed for each pay cycle, as well as record retention requirements.
- Guidelines for paycheck distribution. These procedures should include, but not be limited to, the following: (i) routing of paychecks to the various schools and departments (ii) procedures requiring written certification (e.g., signature approval) by principals and/or supervisors verifying receipt of all paychecks and that the paychecks were distributed to active personnel only, and (iii) procedures for returning paychecks to human resources and/or payroll when distributed in error.
- Procedures for performing bank reconciliations, including responsible parties, frequency of review, and documentation requirements.

As noted above, MPSB should ensure that segregation of duties and proper management oversight is incorporated (e.g., the individual requesting and/or processing payment is not the same as the person approving the payment) when establishing these policies and procedures. Management should ensure that all policies and procedures are communicated to the appropriate personnel. In addition, all personnel should sign an acknowledgment of their understanding of these written policies and procedures. Furthermore, all policies and procedures should be reviewed and updated, as appropriate, on an annual basis.

**3. Payroll Manual Check / Signature Stamp Access**

Based on our review of the internal control questionnaire responses and our onsite procedures, we observed that the payroll blank check stock and signature stamp printer are stored in the MPSB office break room. Therefore, anyone accessing the break room also has access to these items. Based on discussions with MPSB personnel, the printer is activated by a single key, which is stored in an unlocked vault accessible by all employees.

**Recommendation:**

Management should ensure that the blank check stock, signature stamp printer, and activation key, are appropriately restricted, locked, and stored in a secure areas at all times. Individuals responsible for preparing and reviewing the bank reconciliation for the payroll account should be restricted from access to the blank check stock, signature stamp printer, and activation key, if possible.

**4. Bank Reconciliation**

The Central Office Accounts Payable Clerk is currently responsible for performing the bank reconciliation for the payroll account. The Accounts Payable Clerk has also served as a backup; therefore, she also has access to the payroll system functions. There is currently no secondary review of the reconciliation to ensure accuracy of preparation, completeness, and appropriateness of adjustments.

**Recommendation:**

All bank reconciliations should be reviewed by a second individual (e.g., Business Manager) to determine accuracy and reasonableness of the information presented. For optimal internal controls, the preparer and reviewer should be independent of the tasks being reconciled (e.g., does not perform or have access to perform payroll processing duties). The preparation and review should be conducted in a timely manner (e.g., monthly) and documentation of the preparation/review should be evidenced on the bank reconciliation.

**5. Payroll System Access Rights**

MPSB utilizes Software and Services payroll software to process payroll transactions. Currently there is no periodic review of system access rights performed by management to ensure that access is appropriate based on the individual's job responsibilities. Lack of proper review and approval of access to the payroll system, increases the risk of unauthorized activity (i.e., adding new/unapproved employees, adjusting salary/personnel data, processing payments, etc.).

**Recommendation:**

We recommend that management evaluate the current system access rights, especially edit/change capabilities, within the payroll software to ensure that access is granted based on necessity to perform job duties. P&N recommends that management establish procedures to perform a periodic review of such user access rights, at least annually, to ensure that it is appropriate for the current organizational structure (e.g., only current employees have access and access is in line with current job responsibilities).

**MADISON PARISH SCHOOL BOARD**  
**INTERNAL CONTROLS REPORT: OBSERVATIONS AND RECOMMENDATIONS**

---

**6. Annual Sales Tax Bonus Payments**

P&N was informed that MPSB distributes a sales tax bonus to employees in May and December of each year. Based on discussions with MPSB personnel, it does not appear that MPSB personnel have a clear understanding of the policies and procedures to be followed in order to ensure appropriateness of amounts distributed. P&N noted that the procedures for calculating and distributing the semi-annual sales tax funds to employees have not been updated since November 1986. In addition, these procedures are not clearly documented. Additionally, per discussion with MPSB personnel, there is no documentation maintained to support the calculations or validate the amounts distributed to employees.

**Recommendation:**

MPSB management should ensure that the policies and procedures related to the application, calculation, and distribution of the sales tax funds collected are clearly documented and updated. Management should also ensure that the parties responsible for processing and calculating the sales tax funds distributions are knowledgeable of the established procedures. MPSB Additionally, P&N recommends that documentation to support the calculation of funds distributed to each employee class (e.g., Principals, Teachers, Administrative Staff, etc.) should be reviewed and approved by someone independent of the person preparing the calculation. Evidence of the calculations, reviews, and approvals should be maintained for an established period of time.

**7. Stipend and Overtime Pay Approval**

Based on discussions with MPSB personnel and reviewing the ICQ responses, P&N noted that employees are granted 'stipend' pay for a variety of activities (i.e., attending seminars, working overtime, performing additional duties outside of primary job responsibilities, etc.). However, there are no documented policies or procedures regarding the types of eligible activities, supporting documentation, or approval requirements that warrant stipend pay distribution. Additionally, based on ICQ responses, P&N noted that overtime hours may not always be approved by the employee's supervisor prior to payment. Per discussion with the MPSB Payroll Clerk, there is no consistent method of stipend pay distribution (e.g., stipend pay is distributed multiple times per month, may or may not be added on the employee's regular pay check).

**Recommendation:**

Management should document policies and procedures related to the types of activities that warrant stipend pay, required supporting documentation that should be attached to stipend requests, and appropriate authorization that must be obtained prior to the distribution of stipend pay. Additionally, consistent distribution dates should be established and standardized forms utilized (i.e., twice a month, monthly, etc.) in order to track and monitor the pay cycle.

---

**MADISON PARISH SCHOOL BOARD**  
**REPORT ON APPLYING AGREED UPON PROCEDURES**

---

---

**MADISON PARISH SCHOOL BOARD**  
**REPORT ON APPLYING AGREED UPON PROCEDURES**

---



**Postlethwaite & Netterville**

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
www.pncpa.com

**REPORT ON APPLYING AGREED-UPON PROCEDURES**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures listed below, which were agreed to by Madison Parish School Board (MPSB) and Postlethwaite & Netterville (P&N) through our letter of engagement dated September 28, 2005. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The scope and sufficiency of our procedures is solely the responsibility of MPSB. Our procedures were limited to those that you have determined will best meet your informational needs and may not necessarily disclose all significant errors, frauds, and other illegal acts that may exist. Consequently, we make no representation regarding the sufficiency of the procedures described in this report either for the purpose for which this report has been requested or for any other purpose. **It should be noted that the procedures set forth in our agreement were not completed in their entirety due to time and budget constraints.** The following report summarizes the procedures performed and the results of those procedures. In addition, the report identifies the procedures originally agreed to which were not performed.

Our procedures were not designed to constitute an audit, review, or compilation of the information provided. Our testing consisted of performing a stated procedure and summarizing the results of that procedure in the accompanying report. Accordingly, we do not express an opinion or conclusion nor provide any other form of assurance on the completeness and accuracy of the information. Additionally, the projection of any conclusions, based on our findings, to past or future periods is subject to the risk that changes may have occurred during the passage of time that may alter the validity of such conclusions. Furthermore, the projection of any conclusions, based on our findings, to the whole population is subject to the risk that the sample selected may not accurately reflect the population as a whole. We have no responsibility to update our report for events and circumstances that occur after the date of its issuance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report has been prepared for the internal use of, and is only to be relied upon by MPSB management, MSPB Board, and the Office of Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. No portion of the report may be provided to any other party without the prior consent of P&N. In the event that consent to release this report is provided, the report must be released in its entirety.

*Postlethwaite & Netterville*

POSTLETHWAITE & NETTERVILLE  
November 8, 2005

**MADISON PARISH SCHOOL BOARD**  
**AGREED UPON PROCEDURES**

---

**OBJECTIVE:**

The primary purpose of this engagement was to assist MPSB in determining whether internal controls related to certain payroll and credit card procedures are operating effectively and efficiently based upon our samples, and to provide any recommendations for improvement.

**SCOPE/PROCEDURES:**

**I. Credit Card Testing:**

- Obtained a listing prepared by MPSB personnel of all known MPSB credit card accounts and cardholders.
- Obtained and reviewed the payment histories for a judgmental sample of five credit card vendors (Sam's, Wal-Mart, Home Depot, Office Max, Office Depot) for the period of July 2004 through September 2005 and performed the following:
  - Selected a judgmental sample of 18 credit card transactions from the payment histories reviewed and traced and vouched to the respective supporting documentation to determine whether:
    - Payments were properly authorized and approved;
    - Payments were supported by original invoice and/or receipt documentation; and
    - Payments appear to be supported by a business purpose.

**II. Payroll Testing:**

- Obtained the preliminary findings of MPSB internal procedures conducted as compiled by the MPSB Superintendent's office, including the following:
  - The results of the physical handout of payroll checks conducted by MPSB for the September 2005 payroll;
  - A listing of individuals deleted from the September 2005 payroll prior to the physical handout of checks;
  - The certified employee listings prepared by MPSB principals and department supervisors;
  - A listing of employees with "dual" roles and/or responsibilities as identified by MPSB personnel;
  - A salary contract report with MPSB personnel comments regarding the salary in relation to the approved salary schedule and/or responsibilities; and
  - A listing of individuals that have received payment through a "petty cash" fund.
- Compiled an electronic listing of all employees detailed on the above mentioned certified employee listings.
- Obtained an electronic payroll register prepared by MPSB's Software Service provider for the period of July 2004 through September 2005. In addition, an electronic report of active and terminated employees was obtained for the review period.
  - Analyzed the payroll register files using excel pivot tables in an effort to identify any unusual transactions, and performed other trend analysis (e.g., individuals receiving high gross salaries, individuals receiving more than the standard number or pay checks, etc.);

**MADISON PARISH SCHOOL BOARD**  
**AGREED UPON PROCEDURES**

---

- Compared the electronic certified employee listing identified in above to the individuals included in the payroll register or terminated employee listing for the sample period in order to identify individuals that appeared on the payroll but were not supported by the certification or termination listing;
  - Selected a judgmental sample of 19 individuals taking into consideration MPSB's internal procedure results and P&N's independent analysis of the payroll register files and requested supporting documentation to verify that the individual was a Board approved employee. *P&N was unable to complete the detailed test work in this area due to time and budget constraints;* and
  - Selected a judgmental sample of 18 individuals taking into consideration MPSB's internal procedure results and P&N's independent analysis of payroll files and requested supporting documentation to verify that the salary and/or stipends received was appropriately supported and approved. *P&N was unable to complete detailed test work in this area due to time and budget constraints.*
- III. Distributed Internal Control Questionnaires (ICQ), interviewed the appropriate personnel, requested written policies/procedures, and reviewed various reports related to the above mentioned areas to gain an understanding of the controls in place.
- IV. Reported our findings and made recommendations for improvements in the pages that follow, as needed, based on our observations, inquiries, and procedures performed.

**MADISON PARISH SCHOOL BOARD  
AGREED UPON PROCEDURES**

**FINDINGS RESULTING FROM PROCEDURES PERFORMED:**

**I. Credit Card Transaction Testing**

P&N selected a judgmental sample of 18 accounts payable disbursement transactions, totaling \$80,391.79, made to five credit card vendors during the period of July 2004 through September 2005. P&N identified the following during testing of supporting documentation obtained from the accounts payable departments:

**a. Approval of Credit Card Purchases/Payments**

There was no evidence of MPSB supervisory review or approval (i.e., signature on receipts or credit card statements) for 13 of the 18 transactions tested. The following table details those transactions:

Vendor #	Vendor Name	Bank Fund	Invoice #	Invoice Date	Invoice Amount
720149	Sam's Club Direct	020	003933	6/1/2005	\$ 3,967.04
720149	Sam's Club Direct	029	006890	2/16/2005	\$ 2,374.53
720149	Sam's Club Direct	020	9256	12/20/2004	\$ 16,399.61
720149	Sam's Club Direct	018	9054	9/27/2004	\$ 4,522.05
720149	Sam's Club Direct	018	8999	9/9/2004	\$ 3,622.50
00378	Wal-Mart Community BRC*	020	9780	6/30/2005	\$ 11,104.55
00378	Wal-Mart Community BRC	020	9692	5/16/2005	\$ 4,295.13
00378	Wal-Mart Community BRC	020	9282	1/3/2005	\$ 4,594.49
00378	Wal-Mart Community BRC	020	9248	12/6/2004	\$ 4,992.68
00378	Wal-Mart Community BRC	020	9061	10/18/2004	\$ 5,345.91
562012	Office Depot	029	3341158580001	1/12/2005	\$ 5,244.79
562012	Office Depot	020	334115857000	1/12/2005	\$ 6,785.73
562011	Office Max	020	5609J308	1/3/2008	\$ 4,708.38

*\*Based on our testing to supporting documentation, P&N noted that this purchase was actually made at Sam's Club Direct. Based on discussions with MPSB personnel and review of the check copy, it appears that the check was made payable to Sam's Club Direct; however, it was improperly coded to the Wal-Mart Community BRC vendor general ledger account. Therefore, the vendor history does not reflect the actual disbursement made.*

**b. Supporting Documentation**

During our testing, P&N requested all original receipt/invoice and credit card statement documentation supporting the tested credit card purchases. P&N noted several instances in which all or partial original receipt/invoice documentation could not be located to support the credit card statement received from the vendor as follows:

- Eight of the 18 transactions tested were paid from the vendor's credit card statement only (e.g., original receipt/invoice documentation was not obtained and evidenced in the accounts payable files prior to payment). As a result, P&N could not determine the business purpose of several of these purchases as a detailed description did not appear on the credit card statement. The following table details these transactions:

**MADISON PARISH SCHOOL BOARD**  
**AGREED UPON PROCEDURES**

Vendor #	Vendor Name	Bank Fund	Invoice #	Invoice Date	Invoice Amount	Notes
000266	Home Depot	004	5610978	6/30/2005	\$ 482.89	
720149	Sam's Club	020	003933	6/1/2005	\$ 3,967.04	Receipts were provided after multiple requests.
720149	Sam's Club	029	006890	2/16/2005	\$ 2,374.53	Statements had line item detail; therefore, P&N was able to review the description of items purchased.
720149	Sam's Club	020	9256	12/20/2004	\$16,399.61	
720149	Sam's Club	018	9054	9/27/2004	\$ 4,522.05	
562012	Office Depot	29	3341158580001	1/12/2005	\$ 5,244.79	
562012	Office Depot	20	334115857000	1/12/2005	\$ 6,785.73	
562011	Office Max	20	5609J308	1/3/2008	\$ 4,708.38	

- Six of 18 transactions tested only had partial original receipt documentation on file. These transactions are listed below detailing the amounts paid without original receipt documentation to support the credit card statement:

Vendor #	Vendor Name	Bank Fund	Invoice #	Invoice Date	Invoice Amount	Amount Paid Without Receipts	Notes
720149	Sam's Club Direct	018	8999	9/9/2004	\$ 3,622.50*	\$ 2,698.51	Statements had line item detail; therefore, P&N was able to review the description of items purchased.
00378	Sam's Club Direct	020	9780	6/30/2005	\$11,104.55	\$ 3,425.56	
00378	Wal-Mart Community BRC	020	9692	5/16/2005	\$ 4,295.13	\$ 181.80	
00378	Wal-Mart Community BRC	020	9282	1/3/2005	\$ 4,594.49	\$ 2,998.60	
00378	Wal-Mart Community BRC	020	9248	12/6/2004	\$ 4,992.68	\$ 4,523.27	
00378	Wal-Mart Community BRC	020	9061	10/18/2004	\$ 5,345.91	\$ 4,782.17	

*\*P&N also noted that \$91.71 of this payment was related to late charges.*

**c. Duplicate Payment**

P&N noted that two of the transactions tested appear to be a duplicate payment. After further research, it appears that the duplicate payment resulted from the Accounts Payable clerk paying the vendor from multiple supporting documentation received (i.e., one of the payments was made from the receipt documentation only and the other from the credit card statement). There are currently no payment procedures and documentation requirements in place to prevent such duplicate payments (e.g., reconciliation of credit card statement to original receipt documentation prior to payment). The following table details information related to the duplicate payment:

Vendor #	Vendor Name	Bank Fund	Check Date	Invoice #	Invoice Date	Invoice Amount
000266	Home Depot	004	8/1/2005	29091279462	6/30/2005	\$ 451.30
000266	Home Depot	004	8/15/2005	5610978	6/30/2005	\$ 482.89*

**MADISON PARISH SCHOOL BOARD**  
**AGREED UPON PROCEDURES**

---

P&N further noted that payment related to Invoice #5610978 above includes sales tax; however, MPSB is a tax exempt organization. Based on P&N's review of the credit card statement and check details, it appears that the vendor later credited MPSB for the 7% sales tax in the amount of \$31.59; therefore, MPSB only paid \$451.30. However, it seems that the vendor inadvertently charged the account for the correct amount of \$451.30 as well.

*\*P&N noted that late fees and finance charges totaling \$67.85 were also paid on the same check.*

**d. Business Purpose of Disbursements Questioned**

When original supporting documentation was provided, P&N reviewed the purchases in an effort to determine whether it appears to be supported by a business purpose. P&N observed that the disbursements were typically related to the purchase of groceries, televisions, laptop computers, printers, ink cartridges, USB flash drives, and DVD/VCRs. P&N also observed some purchases of the following items: "bath sets", razors, stereos, CD players, and a cordless phone. Explanations supporting the business purpose of these items were typically not evidenced. In addition, MPSB personnel were unable to provide P&N with a physical inventory/asset listing for the computer purchases. *Please reference Exhibit I for additional summary detail illustrating the types of purchases made from Sam's Club Direct.*

**e. Past Due Payments**

During our testing, P&N observed a couple of instances in which the amount paid included a past due balance. Original receipt documentation to support these purchases could not be provided in all instances. The table below details these items and the respective past due amounts paid.

Vendor #	Vendor Name	Bank Fund	Check Date	Invoice #	Invoice Date	Invoice Amount	Past Due Amount
721049	Sam's Club Direct	018	9/9/2004	8999	9/9/2004	\$3,622.50	\$3,320.78
00378	Wal-Mart Community BRC	020	12/6/2004	9248	12/6/2004	\$4,992.68	\$3,048.94

**OTHER OBSERVATIONS:**

*P&N has attached an additional report in conjunction with this agreed upon procedures report detailing our recommendations for further investigation and improvement.*

**MADISON PARISH SCHOOL BOARD  
AGREED UPON PROCEDURES**

---

**II. Payroll Transaction Testing**

As noted above, P&N was unable to complete the detail test work in this area due to time and budget constraints. The table below provides a summary of the composition of our sample selection. P&N will provide MPSB with a listing of individuals selected upon request.

Listing or Analysis used to Select Sample	Number of Individuals Selected	Testing for:
Physical Handout of Paychecks	6	Proper Approval of Employment
Listing of Individuals deleted prior to the physical handout of paychecks	7	Proper Approval of Employment
Individuals identified as not being on the certified employee listing.	6	Proper Approval of Employment
<b>Total</b>	<b>19</b>	
Listing of individuals identified with "dual" roles	3	Proper Support and Approval of Stipend Activity
Listing of salary contract report with MPSB personnel comments	3	Salary amounts in accordance with the Board Approved Salary Schedule.
Position and/or responsibilities of individual	2	Proper Support and Approval of Stipend Activity
Individuals identified by P&N with high gross pay per the actual payroll register for the sample period	5	Verify that Salary amounts are in accordance with the Board approved Salary Schedule and Proper Support and Approval of Stipend Activity
Individuals identified by P&N with more than the standard number of paychecks per the actual payroll register for the sample period	5	Proper Support and Approval of Stipend Activity
<b>Total</b>	<b>18</b>	

An additional point of interest may be that P&N identified several individuals that received more than the standard number of paychecks per the actual payroll register for the period of July 2004 through June 2005 (i.e., 14 paychecks). However, due to the nature of this engagement, only a sample of individuals could be selected for further testing. For example, P&N identified 143 individuals that received 18 or more paychecks during the sample period. *Please see Exhibit II for a summary detailing the gross pay and number of paychecks received for these individuals.*

Although P&N was unable to perform the vast majority of the payroll testing, **P&N identified several payments that appear to have been inappropriate**, based on the very limited amount of testing performed. For instance:

**MADISON PARISH SCHOOL BOARD**  
**AGREED UPON PROCEDURES**

---

- P&N was informed by MPSB accounts payable personnel that several individuals received cash payments through the school lunch fund for work performed (e.g., unloading commodities trucks). The majority of these individuals do not appear on the certified employee listing prepared by the school principals. However, one individual listed as receiving payment does appear on the certified employee listing. Based on the information received from MPSB personnel, it appears that these individuals collectively received approximately \$961 in cash payments during the period of August 13, 2004 through April 14, 2005 (each individual receiving less than \$31 per month). ***Processing of such cash payments for employment related services is inappropriate.*** MPSB informed P&N that the practice ceased after August 2005.
- P&N was informed that during the physical handout of paychecks in September 2005, MPSB central office personnel identified an inappropriate payment to a terminated employee. It appears that the employee was not properly terminated in the payroll system; therefore, payment was processed and deposited into the individual's bank account through direct deposit in error. MPSB personnel indicated that they were able to recover the funds deposited in error after the physical handout results were reviewed.
- It appears that a MPSB bus driver was paid for trips to separate geographical locations on the same business day (e.g., a trip to Alexandria and to Compti). However, the supporting stipend/additional pay documentation may suggest one of the trips was performed by a separate bus driver (e.g., initials of another individual listed by the trip line item). Furthermore, based on the supporting documentation, other trips on the same request were marked with the same initials. ***Such indicators are cause for concern that this payment was inappropriate.***

**OTHER OBSERVATIONS:**

***P&N has attached an additional report in conjunction with this agreed upon procedures report detailing our recommendations for further investigation and improvement.***

# EXHIBIT I

Printers	Purchase Date	Quantity Purchased	Price	Extended Price	Explanation Provided, if any
OfficeJet 6110XI	9/24/2004	3	\$ 198.51	\$ 595.53	
OfficeJet 7110XI	9/24/2004	2	\$ 314.81	\$ 629.62	
OfficeJet 6110XI	9/27/2004	4	\$ 198.51	\$ 794.04	
LJ 1160	9/27/2004	1	\$ 328.73	\$ 328.73	
Office Jet 5510XI	10/26/2004	1	\$ 164.82	\$ 164.82	Title I
Office Jet 5510XI	10/27/2004	2	\$ 164.82	\$ 329.64	Title I
OfficeJet 7310XI	11/15/2004	1	\$ 368.63	\$ 368.63	Title I
Office Jet 5510XI	11/17/2004	1	\$ 164.82	\$ 164.82	Title I
OfficeJet 7310XI	11/17/2004	1	\$ 368.63	\$ 368.63	Title I
OfficeJet 6210XI	11/17/2004	1	\$ 268.77	\$ 268.77	Title I
OfficeJet 6210XI	1/23/2005	1	\$ 268.77	\$ 268.77	
OfficeJet 7210XI	2/2/2005	1	\$ 269.87	\$ 269.87	Title I - Principals
OfficeJet 6210XI	2/16/2005	5	\$ 179.83	\$ 899.15	Portfolio Workshop Title II
OfficeJet 7210XI	2/16/2005	2	\$ 269.87	\$ 539.74	Portfolio Workshop Title II
OfficeJet 7210XI	2/18/2005	1	\$ 269.87	\$ 269.87	Title I
OfficeJet 6210XI	3/10/2005	1	\$ 179.83	\$ 179.83	Title I TES
OfficeJet 6210XI	3/10/2005	1	\$ 179.83	\$ 179.83	Title I TES
OfficeJet 6210XI	3/10/2005	1	\$ 179.83	\$ 179.83	Title I WES
OfficeJet 7310XI	3/19/2005	1	\$ 368.63	\$ 368.63	Title I
OfficeJet 6210XI	4/26/2005	1	\$ 179.83	\$ 179.83	GearUp Memphis Trip
OfficeJet 7310XI	6/1/2005	2	\$ 269.87	\$ 539.74	Title I
OfficeJet 7310XI	7/24/2005	1	\$ 368.63	\$ 368.63	THS LAGEAR UP

**Total \$ 8,256.95**

Ink Cartridges	Purchase Date	Quantity Purchased	Price	Extended Price	Explanation Provided, if any
IIP 14 Combo Tri-pack	10/25/2004	2	\$ 63.47	\$ 126.94	Title I Prek
IIP 14 Black Tri-pack	10/25/2004	2	\$ 53.64	\$ 107.28	Title I Prek
HP 56/57 Combo Tri-pack	10/27/2004	1	\$ 72.86	\$ 72.86	Title I Prek
HP 56/57 Combo Tri-pack	11/17/2004	6	\$ 72.86	\$ 437.16	Title I
HP 96(1), HP 97(2)	11/17/2004	5	\$ 79.63	\$ 398.15	Title I
IIP 96 Triple Pack	11/17/2004	3	\$ 73.84	\$ 221.52	Title I
HP 94(2), HP 97(1)	11/17/2004	3	\$ 60.73	\$ 182.19	Title I
HP 45 Black Twin pack	1/20/2005	1	\$ 47.26	\$ 47.26	Title I
HP 15 Black Twin pack	1/20/2005	2	\$ 47.84	\$ 95.68	Title I
IIP 56 Black Tri-pack	1/20/2005	2	\$ 49.72	\$ 99.44	Title I
HP 56/57 Combo Tri-pack	1/20/2005	1	\$ 72.86	\$ 72.86	Title I
HP 56 Black Tri-pack	2/4/2005	4	\$ 49.72	\$ 198.88	Title I TJH
HP 56/57 Combo Tri-pack	2/4/2005	4	\$ 72.86	\$ 291.44	Title I TJH
HP 14 Combo Tri-pack	2/4/2005	1	\$ 63.47	\$ 63.47	Title I TJH
HP 14 Black Tri-pack	2/4/2005	1	\$ 53.64	\$ 53.64	Title I TJH
HP 94(2), HP 97(1)	2/4/2005	2	\$ 60.73	\$ 121.46	Title I TJH
IIP 56/57 Combo Tri-pack	2/16/2005	6	\$ 72.86	\$ 437.16	Portfolio Workshop Title II
IIP 94(2), HP 97(1)	2/16/2005	4	\$ 60.73	\$ 242.92	Portfolio Workshop Title II

**EXHIBIT I**

<b>Ink Cartridges (Continued)</b>	<b>Purchase Date</b>	<b>Quantity Purchased</b>	<b>Price</b>	<b>Extended Price</b>	<b>Explanation Provided, if any</b>
IIP 56/57 Combo Tri-pack	2/18/2005	6	\$ 72.86	\$ 437.16	Title I
HP 94(2), IIP 97(1)	2/18/2005	5	\$ 60.73	\$ 303.65	Title I
HP 45 Black Twin pack	3/10/2005	2	\$ 47.26	\$ 94.52	Title I Portfolio Wkshp
HP 15 Black Twin pack	3/10/2005	4	\$ 47.84	\$ 191.36	Title I Portfolio Wkshp
HP 15 Black Twin pack	3/10/2005	1	\$ 47.84	\$ 47.84	Title I
HP 14 Black Tri-pack	3/10/2005	2	\$ 53.64	\$ 107.28	Title I
HP 14 Black Tri-pack	3/10/2005	3	\$ 53.64	\$ 160.92	Title I Portfolio Wkshp
HP 15 Black Twin pack	3/10/2005	2	\$ 47.84	\$ 95.68	Title I THS
HP 96(1), HP 97(2)	6/1/2005	2	\$ 79.63	\$ 159.26	Title I
HP 96 Triple Pack	6/1/2005	1	\$ 73.84	\$ 73.84	Title I
IIP 94(2), HP 97(1)	6/1/2005	2	\$ 60.73	\$ 121.46	Title I
HP 56 Black Tri-pack	7/8/2005	1	\$ 49.72	\$ 49.72	Title I
HP 56/57 Combo Tri-pack	7/8/2005	1	\$ 72.86	\$ 72.86	Title I
HP 56 Black Tri-pack	8/7/2005	2	\$ 49.72	\$ 99.44	Murphy Suluki per SC
HP 56/57 Combo Tri-pack	8/7/2005	2	\$ 72.86	\$ 145.72	Murphy Suluki per SC
HP 96(1), IIP 97(2)	8/18/2005	2	\$ 79.63	\$ 159.26	Title I
HP 96 Triple Pack	8/18/2005	1	\$ 73.84	\$ 73.84	Title I
HP 94(2), HP 97(1)	8/18/2005	3	\$ 60.73	\$ 182.19	Title I
<b>Total</b>				<b>\$ 5,846.31</b>	

<b>DVD/VCR Combo</b>	<b>Purchase Date</b>	<b>Quantity Purchased</b>	<b>Price</b>	<b>Extended Price</b>	<b>Explanation Provided, if any</b>
DVD/VCR Combo	9/27/2004	4	\$ 99.88	\$ 399.52	
DVD Recorder	10/27/2004	1	\$ 398.84	\$ 398.84	Title I
DVD/VCR Combo	3/10/2005	1	\$ 89.88	\$ 89.88	Title I TES
DVD/VCR Combo	3/10/2005	2	\$ 89.88	\$ 179.76	Title I THS
DVD/VCR Combo	6/1/2005	1	\$ 89.43	\$ 89.43	Title I
DVD Recorder	7/22/2005	1	\$ 199.81	\$ 199.81	
DVD Recorder	7/22/2005	1	\$ 278.76	\$ 278.76	
DVD-R 4.7GB 16X	7/22/2005	1	\$ 41.63	\$ 41.63	
DVD/VCR Combo	8/16/2005	2	\$ 79.77	\$ 159.54	Title I WES
<b>Total</b>				<b>\$ 1,837.17</b>	

<b>Televisions</b>	<b>Purchase Date</b>	<b>Quantity Purchased</b>	<b>Price</b>	<b>Extended Price</b>	<b>Explanation Provided, if any</b>
Sylvn 32" Stereo TV	9/24/2004	1	\$ 278.78	\$ 278.78	
Sylvn 32" Stereo TV	9/27/2004	1	\$ 269.88	\$ 269.88	
32" Stereo TV	11/29/2004	1	\$ (249.88)	\$ (249.88)	Title I TES
Sylvn 27" Stereo TV	11/29/2004	1	\$ 169.88	\$ 169.88	Title I TES
32" Stereo TV	6/1/2005	1	\$ 249.88	\$ 249.88	Title I
32" Stereo TV	8/16/2005	2	\$ 249.88	\$ 499.76	Title I WES
RCA 24" Flat Combo	10/27/2005	2	\$ 349.53	\$ 699.06	Title I
<b>Total</b>				<b>\$ 1,917.36</b>	

# EXHIBIT I

Flash Drives	Purchase Date	Quantity Purchased	Price	Extended Price	Explanation Provided, if any
256 MB Jump Drive	9/20/2004	1	\$ 29.71	\$ 29.71	
256 MB Jump Drive	9/20/2004	1	\$ 39.74	\$ 39.74	
512MB Flash Drive	9/20/2004	1	\$ 79.64	\$ 79.64	
256 MB Jump Drive	9/27/2004	10	\$ 39.74	\$ 397.40	
256 MB Jump Drive	10/24/2004	12	\$ 29.61	\$ 355.32	Title I
USB2.0 Mini Hub	11/10/2004	2	\$ 19.87	\$ 39.74	Title I
USB2.0 Mini Hub	11/15/2004	3	\$ 19.87	\$ 59.61	Title I
512MB Flash Drive	11/15/2004	3	\$ 44.76	\$ 134.28	Title I
512MB Flash Drive	1/19/2005	5	\$ 44.76	\$ 223.80	Parent Center
Memory Stick	2/2/2005	2	\$ 42.12	\$ 84.24	Title I - Principals
Memory Stick	2/2/2005	6	\$ 42.12	\$ 252.72	Title I - Principals
Memory Stick	3/3/2005	3	\$ 42.12	\$ 126.36	Title I Door Prizes
512MB Flash Drive	3/10/2005	1	\$ 44.76	\$ 44.76	Title I TES
512MB Flash Drive	3/10/2005	1	\$ 44.76	\$ 44.76	Title I WES
1GB USB Drive	7/2/2005	8	\$ 59.87	\$ 478.96	Title I
1GB USB Drive	7/6/2005	15	\$ 59.87	\$ 898.05	Title I Door Prizes
Memory Stick Pro	7/6/2005	1	\$ 118.87	\$ 118.87	Title I Door Prizes
Compact Flash	8/1/2005	1	\$ 42.62	\$ 42.62	
Compact Flash	8/1/2005	1	\$ 74.87	\$ 74.87	
1GB USB Drive	8/3/2005	5	\$ 59.87	\$ 299.35	Title I per SC
3GB Mini	8/16/2005	3	\$ 88.63	\$ 265.89	Title I per SC

**Total \$ 4,090.69**

MISC Computer/TV Products	Purchase Date	Quantity Purchased	Price	Extended Price	Explanation Provided, if any
Magnavox	9/24/2004	4	\$ 89.78	\$ 359.12	
Magnavox	9/27/2004	5	\$ 89.78	\$ 448.90	
Athlon XP-M 2200 +	10/8/2004	1	\$ 999.67	\$ 999.67	
AMD Sempron3000 - (Laptop)	11/15/2004	1	\$ 599.87	\$ 599.87	Title I PreK
HP 99 Photo Plus Pk	11/17/2004	2	\$ 32.86	\$ 65.72	Title I
Print Shop DLX	1/19/2005	3	\$ 37.87	\$ 113.61	Parent Center
XR-1X Data Projector	1/23/2005	1	\$ 1,398.74	\$ 1,398.74	
PowerLite S1 +	2/2/2005	2	\$ 798.00	\$ 1,596.00	Title I - Principals
HP 58 Photo Plus Pk	2/18/2005	6	\$ 33.44	\$ 200.64	Title I
11.4 CF Refrigerator	6/1/2005	1	\$ 329.84	\$ 329.84	Title I
Easy Media Creator	7/2/2005	2	\$ 72.73	\$ 145.46	Title I
AMD Sempron2800 + (Laptop)	7/22/2005	1	\$ 849.63	\$ 849.63	THS Gear Up
AMD Sempron2800 + (Laptop)	7/22/2005	1	\$ 849.63	\$ 849.63	THS Gear Up
CLP-510N	8/1/2005	1	\$ 349.24	\$ 349.24	
Magicolor 2400W	8/3/2005	1	\$ 299.86	\$ 299.86	Title I per SC
CLP-510N	8/3/2005	1	\$ 349.24	\$ 349.24	Title I per SC
X530 Speaker	8/16/2005	1	\$ 57.38	\$ 57.38	Title I per SC

**Total \$ 9,012.55**

## **EXHIBIT II**

*Due to the confidentiality of the following information actual employee names were not included. P&N will provide this information upon request.*

	Sum of Gross	Count of Paychecks Received
Employee 1	\$22,093.86	29
Employee 2	\$40,079.62	28
Employee 3	\$32,655.22	26
Employee 4	\$21,574.80	26
Employee 5	\$29,993.38	26
Employee 6	\$14,213.50	25
Employee 7	\$15,818.78	24
Employee 8	\$53,971.72	24
Employee 9	\$38,836.68	24
Employee 10	\$34,167.58	24
Employee 11	\$40,746.57	24
Employee 12	\$30,361.78	24
Employee 13	\$15,070.02	24
Employee 14	\$27,983.38	24
Employee 15	\$30,633.38	24
Employee 16	\$40,917.52	23
Employee 17	\$13,786.80	23
Employee 18	\$49,822.72	23
Employee 19	\$27,973.38	23
Employee 20	\$14,236.21	23
Employee 21	\$28,461.78	23
Employee 22	\$55,436.72	23
Employee 23	\$14,761.10	23
Employee 24	\$13,148.43	23
Employee 25	\$20,137.76	23
Employee 26	\$14,222.80	23
Employee 27	\$41,199.28	23
Employee 28	\$29,955.10	23
Employee 29	\$18,476.94	23
Employee 30	\$26,385.88	23
Employee 31	\$37,595.88	22
Employee 32	\$43,241.15	22
Employee 33	\$59,441.72	22
Employee 34	\$13,542.09	22
Employee 35	\$14,533.05	22
Employee 36	\$20,329.10	22
Employee 37	\$13,248.45	22
Employee 38	\$15,728.00	22
Employee 39	\$31,043.37	22
Employee 40	\$17,304.95	22
Employee 41	\$8,547.29	22
Employee 42	\$13,920.06	22

**EXHIBIT II**

	Sum of Gross	Count of Paychecks Received
Employee 43	\$26,927.96	22
Employee 44	\$65,730.72	22
Employee 45	\$54,704.72	22
Employee 46	\$32,905.88	22
Employee 47	\$35,071.78	22
Employee 48	\$16,721.20	22
Employee 49	\$30,647.28	22
Employee 50	\$31,280.58	22
Employee 51	\$15,469.23	22
Employee 52	\$26,973.38	22
Employee 53	\$14,866.10	22
Employee 54	\$33,139.28	21
Employee 55	\$34,391.99	21
Employee 56	\$52,186.72	21
Employee 57	\$14,813.00	21
Employee 58	\$11,779.60	21
Employee 59	\$18,015.49	21
Employee 60	\$32,761.78	21
Employee 61	\$11,718.50	21
Employee 62	\$28,255.26	21
Employee 63	\$13,545.00	21
Employee 64	\$11,764.60	21
Employee 65	\$12,409.60	21
Employee 66	\$12,201.79	21
Employee 67	\$32,173.38	21
Employee 68	\$59,046.72	21
Employee 69	\$13,050.46	21
Employee 70	\$13,225.59	20
Employee 71	\$14,076.12	20
Employee 72	\$27,657.58	20
Employee 73	\$54,447.72	20
Employee 74	\$25,988.84	20
Employee 75	\$14,630.50	20
Employee 76	\$40,556.88	20
Employee 77	\$35,849.28	20
Employee 78	\$27,703.38	20
Employee 79	\$26,003.38	20
Employee 80	\$13,514.97	20
Employee 81	\$23,733.38	20
Employee 82	\$11,839.60	20
Employee 83	\$41,012.09	20
Employee 84	\$25,913.38	20
Employee 85	\$17,638.72	20
Employee 86	\$27,195.88	20

**EXHIBIT II**

	Sum of Gross	Count of Paychecks Received
Employee 87	\$34,993.44	20
Employee 88	\$29,441.78	20
Employee 89	\$32,740.08	20
Employee 90	\$34,742.89	20
Employee 91	\$26,753.32	20
Employee 92	\$28,897.58	20
Employee 93	\$23,836.90	20
Employee 94	\$35,970.88	19
Employee 95	\$31,875.12	19
Employee 96	\$13,527.30	19
Employee 97	\$28,049.49	19
Employee 98	\$28,441.78	19
Employee 99	\$31,905.88	19
Employee 100	\$26,361.78	19
Employee 101	\$27,577.58	19
Employee 102	\$30,790.08	19
Employee 103	\$26,919.65	19
Employee 104	\$32,231.78	19
Employee 105	\$21,462.33	19
Employee 106	\$35,829.16	19
Employee 107	\$46,984.72	19
Employee 108	\$53,975.72	19
Employee 109	\$30,023.38	19
Employee 110	\$26,053.38	19
Employee 111	\$7,629.03	19
Employee 112	\$13,659.10	19
Employee 113	\$13,496.59	19
Employee 114	\$16,745.84	19
Employee 115	\$35,770.08	19
Employee 116	\$56,865.72	19
Employee 117	\$31,645.98	19
Employee 118	\$27,166.57	19
Employee 119	\$39,981.42	19
Employee 120	\$34,460.54	19
Employee 121	\$13,314.70	19
Employee 122	\$45,676.87	18
Employee 123	\$7,845.94	18
Employee 124	\$58,741.72	18
Employee 125	\$19,607.46	18
Employee 126	\$33,696.68	18
Employee 127	\$29,435.88	18
Employee 128	\$14,411.62	18
Employee 129	\$29,303.38	18
Employee 130	\$25,545.64	18

**EXHIBIT II**

	Sum of Gross	Count of Paychecks Received
Employee 131	\$36,444.32	18
Employee 132	\$29,965.88	18
Employee 133	\$24,483.96	18
Employee 134	\$25,081.78	18
Employee 135	\$46,011.72	18
Employee 136	\$39,206.55	18
Employee 137	\$39,195.88	18
Employee 138	\$23,264.66	18
Employee 139	\$33,645.88	18
Employee 140	\$54,031.72	18
Employee 141	\$23,773.36	18
Employee 142	\$11,752.55	18
Employee 143	\$21,685.72	18



# Madison Parish School Board

Post Office Box 1620  
Tallulah, Louisiana 71284-1620  
(318) 574-3616

Board President:  
*Reuben "Chuck" Hayden*  
Superintendent:  
*Michael A. Johnson*

February 9, 2006

Ms. Suzanne Elliott, CPA  
Legislative Auditor's Office  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**MADISON PARISH SCHOOLS  
SUPERINTENDENT'S RESPONSES TO FORENSIC AUDIT  
(Conducted by Postlethwaite & Netterville)**

RECEIVED  
LEGISLATIVE AUDITOR  
06 FEB 14 AM 11:01

In my professional opinion, the audit conducted by Postlethwaite & Netterville was performed in a manner that was both professional and beneficial. They worked extremely hard in helping the district to correct many of the fiscal problems we faced. This assistance went far beyond the amount for which we were billed. They have continued to assist us by phone and email even though the contract has been completed. They have also agreed to make a presentation to our board and community without charge. Following their advice, we were able to correct immediately many deficiencies in the area of the district's finance. This has resulted in more funds been made available for students and instructional programs.

Prior to the audit, I directed the business office to conduct an internal payroll audit; this was done in conjunction with every site supervisor forwarding the names of every employee working at their site. All employees in the district were required to personally sign for their check; the process included those individuals with automatic payroll deposits capabilities; for those employees who were ill, checks were either delivered to their homes or they signed for their checks once they returned to work. As a result several employees did not receive pay checks. In the future, we will conduct two (2) random payroll audits per year.

**Problems and Plan of Actions:**

**Problem # 1:** Petty cash disbursements as pay to employees and non-employees and so-called "pass along" payments for work performed.

**Plan of Action:** All petty cash disbursements as salary has been stopped; non-employees can not receive pay for work under the name of a certified employee.

**Problem # 2:** Improper use of credit cards.

**Plan of Action:** We (district) collected forty (40) credit cards from various staff members throughout the district. The district will limit the issuance of store credit cards to the senior supervisory staff only. These cards should be used only in emergency situations. The business manager will maintain a current list of credit card holders and report the cards activities as part of the weekly fiscal printout to the superintendent. The use of the credit card will be connected to the completion of the purchase order form which will be utilized to explain why the particular purchase is being made. Every effort must be used to purchase items through the regular purchase order system. Each cardholder must sign a letter of understanding indicating that they are assuming responsibility for the proper use of the card. Only the superintendent will be in possession of a bank master or visa card.

**Problem # 3:** Purchases made by Title I department of which the business office is not aware.

**Plan of Action:** All Title I purchases must be authorized and signed by the superintendent on a regular district purchase order form. Title I checkbooks which were not monitored by the business office have been confiscated by the superintendent.

**Problem # 4:** The various department and the schools expend a great deal of resource purchasing from a wide variety of products from various vendors in small quantities.

**Plan of Action:** We are presently negotiating and requesting bids from major distributors who can offer state contract prices for the purchasing of these items in bulk. Purchase of all technology and technological related items will be centralized in the technology department. Site based written notification with sign off and returns for all equipment delivered will be required.

**Problem # 5:** Purchase orders are not authorized by supervisors or principals with insufficient information, no original invoices, no identification of the needs or location.

**Plan of Action:** Supervisors are required to sign off on all purchase orders. Superintendent must sign off on all purchase orders. This will be the final sign off. Original invoices must be attached to every purchase order. Explanation of "Where and for what purpose must be documented on the purchase order form".

**Problem # 6:** Stipends issued without proper authorization and is excessive and not connected to improvement and the quality of service to the children.

**Plan of Action:** District-wide guidelines for the establishment of stipends and the limit on how much an employee can collect will be developed centrally. Task rationale and job description must be forwarded to the superintendent prior to work taking place. Supervisors must sign off on all stipend timesheets and attach attendance sheets or other documentation that verify that the task was done. Example: After school tutorial program; daily student attendance roster must be attached.

**Problem #7:** Human resource activities are decentralized and disconnected in the central office. Various human resource tasks are performed by the elementary and secondary supervisor, the supervisor of special education, and the Title I Director. This means that part of employee records are in different places in the district and information on employees status doesn't get sent

quickly and correctly to the payroll clerk. This problem also has deleterious effects on retirees and those present employees seeking retirement information.

**Plan of Action:** Establishment of the position of Human Resource (HR) manager.

This person will establish a formal hiring procedure, recruit new employees, maintain employee's records, hiring and termination of employees, monitor employees as their status change during the course of employment. We have identified a space for the human resource department; this space will house a centralized employee filing system. Each employee's file will have information such as hire date, salary, title, work location, date of board ratification, termination, leave, resume, contract and etc. Most importantly, we are instituting a Personnel Action Form (PAF) which would track employees' hire date, transfers, termination and retirement. This form will be forwarded to the payroll department. It will be signed by the superintendent and used as documentation for employee payment.

The personnel department will develop a computerized list of all employees by site (code) for tracking purposes. This information will be generated by information entered on the PAF. A codified hiring procedure that began in HR and includes finger printing, background check, license/certification confirmation and a sign off from the HR manager. This sign off document will be forwarded to the superintendent for signature. It will finally be forwarded to the payroll department.

**Problem # 8:** Absence of job descriptions and contracts.

**Plan of Action:** Working with the district's legal counsel, we plan to review, reconstruct, and create job descriptions and contracts for all appropriate personnel as deemed necessary.

**Problem # 9:** Reorganization of the business office is needed.

**Plan of Action:** Establishment of a business manager with overall authority for supervision of the business office. Business manager will perform the following tasks: develop budgets, track revenue and expenditures, report to various agencies all fiscal reports, weekly budget summaries to the superintendent, bi-monthly reports to the board, monitor all financial activities in the district, and all state required deadlines for financial reporting.

**Problem # 10:** There is no clearly identified accounts payable clerk.

**Plan of Action:** Reassign a present staff accountant to focus on accounts payable. The accountant payable clerk will be responsible for paying all invoices and approve purchase orders following the aforementioned procedures.

**Problem # 11:** The business and human resource area, blank check stock, employee confidential information, and other sensitive documents are too accessible to non-administrative employees and non school employees.

**Plan of Action:** Conduct a security audit of the entire business office, human resource area of the district to ensure that all sensitive areas are secure from non-authorized viewing and usage. A secure human resource office with limit access has been established in the central office. We have redesigned the district office to allow the business office staff to work in offices that are locked from public view. Accounts payable blank check stocks will be stored in the secured

area. Non-authorized employees will be restricted from areas that maintain sensitive employee information.

**Problem # 12:** Inventory not properly purchased, tagged and recorded. Inconsistent purchasing procedures throughout the district. No central maintenance and management of district service contracts.

**Plan of Action:** Reassign a present staff member of the finance department to serve as purchasing inventory manager to handle all purchase orders, tag and record all new equipment and maintain the fixed asset inventory. This person will also conduct district-wide review of inventories and maintain and manage service contracts.

**Problem # 13:** Payroll clerk is distracted by responsibilities in the human resource area.

**Plan of Action:** Reassign a present staff member to work solely on payroll. Identify a second employee to focus on retirement and insurance. Identify one clerk to focus solely on sales taxes.

**Problem # 14:** Lack of clarity of the procedure for consistently calculating annual sales tax bonus payments.

**Plan of Action:** Business manager will research the most updated process for calculating sales tax for distribution based on established accounting procedures. The superintendent has reached out to the superintendent of the Desoto Parish Schools who has volunteered to assist in this and other areas of concern in the business office.

**Problem # 15:** Business office staff not properly trained on computer accounting system and further employees have limited knowledge of business office task beyond their present assignment.

**Plan of Action:** The district has begun to “cross train” all business office employees to gain expertise in areas other than the one they presently work. Upgrade the access rights to the computer accounting system to ensure that every employee have the proper level of secure access. Professional development on the computer accounting system to upgrade the business office skills will be requested.

We feel that by instituting the above changes our district can began to focus on our primary issue; raising student achievement with the knowledge that we are doing our best to allocate the maximum resources to reach that goal.

If you have any questions, please feel free to call me at 318.574.3616 or email me at [michael.johnson@madisonpsb.org](mailto:michael.johnson@madisonpsb.org).

Sincerely,



Michael A. Johnson  
Superintendent of Schools