

**Calcasieu Parish School Board
Interim Communication of Deficiencies
For the Child Nutrition Program
As of June 10, 2010**

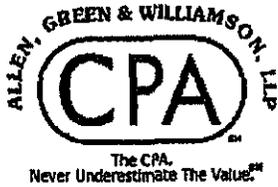
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Release Date

9/22/10

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Lake Charles, Louisiana

This communication is provided pursuant to the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, which encourages auditors to communicate, at an interim date, control deficiencies related to federal programs that are, or likely to be, significant deficiencies or material weaknesses in internal control over compliance. Accordingly, this communication is based on our audit procedures performed through June 10, 2010, an interim period. Because we have not completed our compliance audit, additional significant deficiencies and material weaknesses may be identified and communicated in our final report on compliance and internal control over compliance issued to meet the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

In planning and performing our audit through June 10, 2010 of the Child Nutrition Cluster we are considering Calcasieu Parish School Board's compliance with the applicable types of compliance requirements as described in the *OMB Circular A-133 Compliance Supplement* for the year ended June 30, 2010. We are also considering Calcasieu Parish School Board's internal control over compliance with the requirements previously described that could have a direct and material effect on the Child Nutrition Cluster programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Calcasieu Parish School Board's internal control over compliance.

Our consideration of internal control over compliance is for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined in the following paragraph. However, as discussed subsequently, based on the audit procedures performed through June 10, 2010 we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency or combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the schedule of findings and questioned costs as items 10-F1, 10-F2, 10-F3, 10-F4, and 10-F5 to be significant deficiencies.

A *material weakness* in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. We consider the following deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-F1, 10-F2, 10-F3, and 10-F5 to be material weaknesses.

This interim communication is intended solely for the information and use of the Board, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
July 12, 2010

**Calcasieu Parish School Board
Schedule of Findings & Questioned Costs
June 10, 2010**

Reference # and title: **10-F1** **Inventory Procedures**

Entity-wide or program/department specific: This finding relates to the Child Nutrition Cluster: School Breakfast Program CFDA# 10.553 and National School Lunch Program CFDA# 10.555 for Federal Award Year 2010 received from Federal Agency: U.S. Department of Agriculture, passed through the Louisiana Department of Education.

Criteria or specific requirement: Strong inventory controls require the Child Nutrition Department to track inventory and perform physical inventories of stored commodities, food and supplies. The physical counts should be performed at least annually. Controls over adjustments should include a review and approval process.

Conditions: Inventory is maintained on a perpetual system by the Child Nutrition Department. There does not appear to be any standard procedures for physical counts of inventory. School orders of inventory items are processed by the Child Nutrition Department. In filling the orders if an item is ordered that is not in the warehouse or the actual amount on hand is not enough to fill the order a count of that particular item is done. An adjustment is then made to the inventory on the system. There is no approval process for inventory adjustments. There does not appear to be any procedures in place to determine why there is a discrepancy in the inventory recorded on the inventory system and the actual amount on hand. The inventory on the system is adjusted to agree with the actual amount on hand.

An inventory observation was performed on June 10th by the auditors. The Child Nutrition Department personnel performed counts prior to the inventory observation. The system inventory was adjusted by the Child Nutrition Department to agree to the count sheets. The count sheets were provided to the auditors when they arrived to do the inventory observation. In reviewing their count sheets it appears that differences existed for almost every item in inventory.

The Food Service inventory was not maintained or accurately recorded during the year. There were no monthly physical inventories performed during the year. There were only spot counts performed if there was an issue with a particular item. When the year-end inventory was performed, there were several variances noted. Almost every item had a variance. Therefore the inventory maintained on the system did not accurately represent the actual inventory on hand. Also there is no one person in charge of maintaining inventory records for the warehouses.

Possible Asserted Effect (cause and effect):

Cause: There do not appear to be procedures for performing physical counts of inventory. Adjustments are made to the system inventory for differences that are noted in everyday processing of orders. There does not appear to be any procedures for resolving these differences or attempts to determine why the differences exist. There does not appear to be any procedures for approval of adjustments to the system inventory.

Effect: The inventory recorded on the books did not accurately reflect the actual inventory levels and adjustments had to be recorded to correct the inventory on the books. The lack of controls

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over inventory could result in thefts of inventory items. Poor inventory controls affect the costs charged to the program.

Recommendations to prevent future occurrences: Child Nutrition should perform monthly and year end physical inventories of the warehouses and assign an individual the responsibility of maintaining inventory records. Procedures should be established for resolving differences in inventory and an approval process should be established for adjustments made to the inventory system.

Reference # and title: **10-F2** **Internal Control Over Disbursements**

Entity-wide or program/department specific: This finding relates to the Child Nutrition Cluster: School Breakfast Program CFDA# 10.553 and National School Lunch Program CFDA# 10.555 for Federal Award Year 2010 received from Federal Agency: U.S. Department of Agriculture, passed through the Louisiana Department of Education.

Criteria or specific requirement: Effective internal controls should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payroll disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Time cards or pay sheets should be signed by the employee and the supervisor. The I-9 forms should be kept on all employees.

Conditions:

The following exceptions were noted from a test of 40 vendor disbursements:

- There were 2 instances where there was no purchase order accompanying the invoice.
- There were 3 instances where invoice payments were not properly authorized.
- There were 3 instances of unallowable charges to the program. A small amount of sales tax was reimbursed on 2 purchases and an order of pecans costing \$7,875 was purchased. There does not appear to be any menu items that included pecans as an ingredient.
- There were 2 instances where charges were not recorded in the proper accounts. One of these exceptions was the pecans mentioned above which were charged to each school. The other exception is a lease payment that was charged to repairs and maintenance.
- There was 1 instance where a charge did not have proper documentation. The exception is the pecan purchase.
- There were 2 instances where invoices were not paid timely.

The following exceptions were noted from a test of 20 payroll disbursements:

- There were 2 instances where employees were paid from a higher step on the salary schedule for their years of experience with no documentation as to why their salary was more than the salary schedule.
- There were 3 instances of not having proper support for overtime paid. The only documentation for the overtime was the sheet turned in to the payroll department with the number of hours of overtime worked by the employee for the month. This sheet was signed by the Department Supervisor.

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- Several temporary employees worked in positions designated as “open positions”. In the sample of payroll testing three of these open position checks were selected. Two of the three checks had a time sheet documenting the number of hours worked. The time sheets were not signed by the employee. The other check had no documentation such as a time sheet or time card.

Possible Asserted Effect (cause and effect):

Cause: For the vendor disbursements there are established procedures that were not followed in the instances noted above. The Child Nutrition Department does not have established procedures for documenting overtime. There also seems to be very little control over the positions designated as “open positions.”

Effect: For the expenditures charged to the Child Nutrition Department noted above documentation is not adequate. Poor documentation affects the costs charged to the program.

Recommendations to prevent future occurrences: All vendor payments in the future should include original documentation (invoices, etc.) and should be paid timely. Records supporting disbursements should be properly maintained. Only costs that are allowable to the program should be charged to the program.

An approval process should be established for employees that are paid above their step based on prior years’ experience. This process should be documented in the employee’s personnel file. All overtime should be properly documented by a time sheet or time card, signed by the employee, and authorized by the appropriate official. There should be documentation for the hourly rate paid to employees in “open positions”. This documentation should include the hourly rates paid for similar positions and any reasoning for paying a rate that is different from the normal rates. This documentation should be maintained in the employees personnel file.

Reference # and title: **10-F3** **Program Eligibility**

Entity-wide or program/department specific: This finding relates to the Child Nutrition Cluster: School Breakfast Program CFDA# 10.553 and National School Lunch Program CFDA# 10.555 for Federal Award Year 2010 received from Federal Agency: U.S. Department of Agriculture, passed through the Louisiana Department of Education.

Criteria or specific requirement: A child’s eligibility for free or reduced price meals under a child nutrition cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. School food authorities determine eligibility by comparing the data reported by the child’s household to published income eligibility guidelines. The School Board also requires that Data Processing initial off on applications once the application is entered into the system.

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Conditions: From a sample of 60 applications tested the following exceptions were noted:

- There were 36 instances of the applications not being fully completed. Most of these exceptions were because the Child Nutrition Department did not complete a section of the form.
- There were 2 instances of students not falling within the income guidelines (1 instance of the income being above the income guidelines and 1 instance of the household information not being completed on the application therefore free/reduced eligibility could not be determined yet the student was listed as free)
- There was 1 instance of Data Processing not initialing off on the application after entering it into the system.

Proper perspective for judging the prevalence and consequences: Of the 60 applications tested 36 of them had exceptions. That equates to 60% of the applications having exceptions. The State is also currently conducting an audit of the Child Nutrition program and the applications are a major focus of the audit.

Possible Asserted Effect (cause and effect):

Cause: Applications are not properly reviewed before being finalized and entered into the system.

Effect: Applications are not complete and some student's eligibility status may not be accurate. Program eligibility requirements for the program may not have been met for the conditions noted above.

Recommendations to prevent future occurrences: A quality control process should be established to review the applications to ensure that all applications are complete. This process should include review of the income to ensure that the income falls within the guidelines to participate in the program.

Reference # and title: **10-F4** **Verification of Eligibility Selection**

Entity-wide or program/department specific: This finding relates to the Child Nutrition Cluster: School Breakfast Program CFDA# 10.553 and National School Lunch Program CFDA# 10.555 for Federal Award Year 2010 received from Federal Agency: U.S. Department of Agriculture, passed through the Louisiana Department of Education.

Criteria or specific requirement: The Child Nutrition Department is required to complete a verification process each school year to ensure applicants are eligible and are properly classified as free or reduced. Except as otherwise provided, the verification sample shall equal the lesser of 3% or 3,000 of all applications approved by the School Board for the school year, as of October 1. These applications should be selected from a population of error prone applications only.

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Conditions:

From a sample of 40 verifications tested the following exceptions were noted:

- There were 2 instances of the household income not falling within the income guidelines for the eligibility status reported for the student.

Proper perspective for judging the prevalence and consequences: Of the 40 verifications tested 2 of them had exceptions. These exceptions were both corrected in the system by the Child Nutrition Department during fieldwork and the student's eligibility statuses were corrected.

Possible Asserted Effect (cause and effect):

Cause: Overtime pay was not included in the income for the exceptions noted above.

Effect: The eligibility status for two students was incorrect. Verification requirements may have been met for the 2 instances noted above.

Recommendations to prevent future occurrences: All employees performing verifications should be informed about what types of pay should be included in the calculation of income.

Reference # and title: **10-F5** **Meal Service Procedures**

Entity-wide or program/department specific: This finding relates to the Child Nutrition Cluster: School Breakfast Program CFDA# 10.553 and National School Lunch Program CFDA# 10.555 for Federal Award Year 2010 received from Federal Agency: U.S. Department of Agriculture, passed through the Louisiana Department of Education.

Criteria or specific requirement: Meal service procedures should be understood and followed by all schools during meal service. These procedures provide controls over meal counts and cash deposits.

Conditions: Lunch observations were performed at three schools – a high school, middle school, and elementary school. Plate counts are used to reconcile the number of meals recorded on the system to the number of plates used during meal service. These plate counts were not performed.

The cash count is compared to the system and any differences are resolved by changing the count on the system in some cases without any investigation of the differences.

Possible Asserted Effect (cause and effect):

Cause: The schools observed were not all following the same procedures for meal service.

Effect: There could be problems with meal counts per the system that would not be discovered when plate count procedures are not followed. Differences in cash collected and cash receipts per the system are not reconciled.

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Recommendations to prevent future occurrences: Cafeteria employees should be instructed as to the proper procedures for plate counts and reconciling cash receipts at the end of the day. There should be procedures established for monitoring of cafeterias' meal service to ensure that established procedures are followed.

**Calcasieu Parish School Board
Corrective Action Plan For Current Year Findings & Questioned Costs
June 10, 2010**

**CALCASIEU PARISH SCHOOL BOARD RESPONSES TO
SCHEDULE OF FINDINGS & QUESTIONED COSTS
JUNE 30, 2010**

10-F1 Inventory Procedures

The Calcasieu Parish School Board Child Nutrition Department will perform periodic physical inventory inspections to match computer records to actual inventories on hand. New inventory control software will be considered that will provide for electronic tracking. Plans have begun to move all inventory to the School Board's central warehouse where all other school system inventory is housed under warehouse controls and one delivery system. Differences between actual and expected inventory levels will be reported to administration and investigated for resolution.

10-F2 Internal Control Over Disbursements

The Calcasieu Parish School Board will take steps to make payment processes used by the Child Nutrition Department uniform with successful, established procedures used in the rest of the school system. All payments will require proper source documents and approvals. Payroll expenditures will require proper time-keeping documentation with all rates adhering to those established in salary schedules. Overtime and substitutes, when allowed, will be authorized and approved by proper administrators.

10-F3 Program Eligibility

The free and reduced lunch application process is being completely modified to use new software to automatically determine eligibility with final review and approval by Child Nutrition assigned personnel. All applications will be completed by students/guardians on uniform scan sheets. Applications will be scanned into the new MCS software based system which will instantly determine eligibility and store the application image for reference by school district authorized representatives or any future monitors or auditors. Scanned data will be refreshed to the Child Nutrition software system nightly with updated free/reduced lunch status available to cafeterias daily. Applications will be reviewed by Child Nutrition personnel prior to permanent filing.

10-F4 Verification of Eligibility Selection

Training will be provided on new forms and software for all Calcasieu Parish School Board employees on accurate completion of free/reduced lunch applications prior to the start of the 2010-2011 school year. Accuracy of form completion will be emphasized to all school administrators as well as Child Nutrition personnel. The system will rely on software with pre-loaded thresholds to determine eligibility.

10-F5 Meal Service Procedures

The Calcasieu Parish School Board has contracted consultants with a solid Louisiana based Child Nutrition background to help reorganize its Child Nutrition Department. The scope of services includes everything from menus, controls, inventory, safety standards, organizational structure/job

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descriptions, and meal service procedures. Procedures will be employed with personnel trained that each day's processes must be reconciled before a new day can be opened. System generated reports will be reviewed by central administration to insure compliance.