

DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED FEBRUARY 2, 2011

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$14.60. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3343 or Report ID No. 80100028 for additional information.

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Our procedures at the Department of Education (DOE) for the period July 1, 2009, through June 30, 2010, disclosed:

- For the fourth consecutive year, DOE did not comply with federal and state equipment management regulations. DOE did not tag and report equipment as required, did not adequately safeguard its movable property, and did not maintain accurate information in the state's movable property system, Protégé.
- The findings identified in the prior year report on DOE, dated January 26, 2010, relating to inadequate fiscal monitoring and failure to perform local tax revenue reconciliations for the Recovery School District have been resolved by management.
- No significant control deficiencies or noncompliance were identified in our procedures on nonpayroll expenditures, federal revenue, accounts receivable, accounts payable, and deferred revenue that would require reporting under *Government Auditing Standards*.
- Other than the finding noted in the first bullet, no significant control deficiencies or noncompliance that would require reporting under Office of Management and Budget (OMB) Circular A-133 were identified for the following federal programs for fiscal year ended June 30, 2010:
 - Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, 10.559)
 - Child and Adult Care Food Program (CFDA 10.558)
 - Title I, Part A Cluster (CFDA 84.010, 84.389)
 - Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392)
 - Twenty-First Century Community Learning Centers (CFDA 84.287)
 - Improving Teacher Quality State Grants (CFDA 84.367)
 - State Fiscal Stabilization Fund Cluster (CFDA 84.394, 84.397)
 - Temporary Assistance for Needy Families Cluster (CFDA 93.558, 93.714, 93.716)

We did not audit the Annual Fiscal Reports of DOE; however, we did perform certain procedures in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States as part of our audit of the State of Louisiana's financial statements and certain procedures related to compliance with federal laws and regulations in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133. This report is a public report and has been distributed to state officials. We appreciate DOE's assistance in the successful completion of our work.

Mission and Goals

The mission of DOE is to ensure high academic achievement for all students, eliminate the achievement gaps between races and classes, and prepare students to be effective citizens in a global market.

DOE has identified critical goals for students to achieve from the time they enter kindergarten until the completion of at least one year of post-secondary education. Critical goals include that students are literate by the third grade; students perform at or above grade level in English Language Arts and math by eighth grade; students will graduate on time; and students will enroll in post-secondary education or graduate workforce-ready.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

January 24, 2011

DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2010, we conducted certain procedures at the Department of Education (DOE) for the period from July 1, 2009, through June 30, 2010.

- Our auditors obtained and documented an understanding of the DOE operations and system of internal controls, including internal controls over major federal award programs administered by the department through inquiry, observation, and review of the department's policies and procedures documentation including a review of the related laws and regulations applicable to the department.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using DOE's annual fiscal reports and/or system-generated reports and obtained explanations from DOE management of any significant variances.
- Our auditors reviewed the status of the findings identified in the prior audit report on DOE, dated January 26, 2010.
- Our auditors considered internal control over financial reporting; examined evidence supporting DOE's nonpayroll expenditures, federal revenue, accounts receivable, accounts payable, and deferred revenue; and tested DOE's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2010, as part of the Single Audit for the State of Louisiana:
 - Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, 10.559)
 - Child and Adult Care Food Program (CFDA 10.558)
 - Title I, Part A Cluster (CFDA 84.010, 84.389)
 - Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392)
 - Twenty-First Century Community Learning Centers (CFDA 84.287)
 - Improving Teacher Quality State Grants (CFDA 84.367)
 - State Fiscal Stabilization Fund Cluster (CFDA 84.394, 84.397)
 - Temporary Assistance for Needy Families Cluster (CFDA 93.558, 93.714, 93.716)

The Annual Fiscal Reports of DOE were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. DOE's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, the prior year finding relating to noncompliance with federal and state equipment management regulations has been repeated in this report. The prior year findings relating to inadequate fiscal monitoring and failure to perform local tax revenue reconciliations for the Recovery School District have been resolved by management. Other than noted in the finding below, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures, including our procedures on federal programs that should be communicated to management.

Noncompliance With Federal and State Equipment Management Regulations

For the fourth consecutive year, DOE did not comply with federal and state equipment management regulations. DOE did not tag and report equipment as required, did not adequately safeguard its movable property, and did not maintain accurate information in the state's movable property system, Protégé,

Federal equipment means tangible nonexpendable property purchased with a federal award, having a useful life of more than one year, and an acquisition cost of \$5,000 or more per unit. OMB Circular A-87 requires a state to use, manage, and dispose equipment acquired under a federal grant in accordance with state laws and procedures.

The Louisiana Administrative Code (LAC) requires that all movable property having an original acquisition cost of \$1,000 or more be tagged with a uniform state of Louisiana identification tag and all pertinent inventory information be forwarded to the Louisiana Property Assistance Agency (LPAA) within 60 calendar days after receipt of these items. The LAC also requires that the agency property manager conduct a complete physical inventory of the property owned by the agency each fiscal year and not more than 12 calendar months since the last physical inventory and report any unlocated property to LPAA. Efforts must be made to locate all movable property items for which there are no explanations available for their disappearance.

In a test of 46 items of equipment purchased with federal and state funds, the following exceptions were noted:

- Eleven (24%) items selected were not entered into Protégé within 60 days. The delays in entering the equipment ranged from four to 255 days.
- Ten (22%) items were not properly recorded in Protégé, including incorrect location, tag number, serial number, and acquisition cost.
- Two (4%) items could not be located.
- One (2%) item did not have the percentage of federal participation recorded in Protégé.

A review of the Protégé late additions reports disclosed the following information regarding property items that were not reported within 60 days of acquisition as required:

- For Property Certification Agency 26804, DOE Operational Support Services, 14 items totaling \$42,842 were reported from nine to 661 days late.
- For Property Certification Agency 26812, DOE Special School District, eight items totaling \$19,226 were reported from one to 467 days late.
- For Property Certification Agency 26816, Restart Non-Public, 524 items totaling \$2,260,340 were reported from two to 974 days late. In addition, the agency's Annual Property Certification identified 203 items totaling \$307,131 as unlocated.

DOE also reported 122 items of movable property purchased at a cost of \$175,337 as stolen to the legislative auditor and district attorney in the current fiscal year. One-hundred twenty items were purchased with federal funds; 116 from the Hurricane Education Recovery - Immediate Aid to Restart School Operations program (CFDA 84.938A) and four from the Hurricane Katrina Foreign Contributions program (CFDA 84.940).

Although DOE has begun implementation of corrective action and we noted improvement in the number of exceptions as compared to the prior year, DOE continues to have exceptions in this area that require additional corrective action and improvement in controls. Failure to comply with federal and state equipment management regulations increases the risk that assets may be misreported, lost, or stolen.

Management should continue to implement corrective action and emphasize the importance of internal control to ensure that (1) equipment is tagged and reported accurately and timely in accordance with state and federal regulations; (2) records are corrected when equipment is relocated; and (3) assets are properly safeguarded to prevent theft. Management concurred with the finding and outlined a plan of corrective action.

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of DOE. The nature of the recommendation, its implementation costs, and its potential impact on the operations of DOE should be considered in reaching decisions on courses of action. The finding relating to DOE's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of DOE and its management, others within the entity, the Board of Elementary and Secondary Education, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

CRV:AD:BQD:THC:dl

LDOE 2010

Management's Corrective Action
Plan and Response to the
Finding and Recommendation



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION
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December 2, 2010

Mr. Daryl G. Purpera
Legislative Auditor
1600 North Third Street
P. O. Box 97347
Baton Rouge, LA 70804-9397

RE: Noncompliance with Federal and State Equipment Regulations

Dear Mr. Purpera:

The Louisiana Department of Education (LDOE) sincerely appreciates the opportunity to respond to the audit findings related to the Noncompliance with Federal and State Equipment Regulations. LDOE does concur with the finding and will continue to implement corrective action and emphasize the importance of internal control to ensure that equipment is tagged and reported accurately and in a timely manner.

In September 2009, LDOE, along with the Louisiana Property Assistance Agency (LPAA), conducted a property control procedures training for the Non-public Schools, the Special School District and LDOE staff. As a result of this training, all participants conducted a thorough search of all assets purchased. This aggressive response to the Corrective Action Plan resulted in numerous late additions, as outlined in the audit finding. LDOE considers this a successful outcome to our Corrective Action Plan.

Two more aspects of our Corrective Action Plan have been implemented. One is to require those Non-public Schools with a higher than 20% incidence of lost or stolen items to perform quarterly inventories. This aggressive action on the part of LDOE has spurred the Non-public Schools to look more closely at assets, thereby correcting Protégé location, tag numbers, serial numbers and acquisition costs, as well as locating many items that were previously reported as unlocated items.

The last aspect of the Corrective Action Plan is that the LDOE Property Manager has begun on-site visits of all Non-public Schools. This last action has prompted the extra training for Non-public Schools, in addition to replacing worn tags on equipment.

"An Equal Opportunity Employer"

Mr. Daryl G. Purpera
Legislative Auditor
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LDOE will continue to strengthen its internal controls concerning entry of items into Protégé correctly and in a timely fashion. To achieve this, LDOE will require both the Receiving Unit and the Accounting Unit to report receipt and invoicing of assets to the Property Manager. Also, LDOE accounting staff will promptly inform the Property Manager in the event of coding changes to assets, so that the federal percentage is properly recorded in Protégé.

The contact person responsible for this finding for the Louisiana Department of Education is Leslie Jewell, Director of Appropriation Control. She may be contacted at (225) 342-3830 or via email at leslie.jewell@la.gov.

The Department takes very seriously its obligation to properly account for all items procured with public funds and is continuing to work diligently to accomplish this objective. We appreciate the assistance your staff provides on a daily basis to assist us in the process of continual improvement of our operations.

Sincerely,



Paul G. Pastorek
State Superintendent of Education

PGP/sb

C: Ollie S. Tyler, Deputy Superintendent of Education
Beth Scioneaux, Deputy Superintendent of Finance
Patrick Weaver
Leslie Jewell
Alanna P. Davis, CPA
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