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Washington Parish School Board
Independent Accountant's Report
on Agreed Upon Procedures
for Varnado High School
Franklinton, Louisiana

For the years ended June 30, 2006 and 2005

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 11-22-06

BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Washington Parish School Board
Independent Accountant's Report
on Agreed Upon Procedures
for Varnado High School
Franklinton, Louisiana

For the years ended June 30, 2006 and 2005

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Washington Parish School Board
P.O. Box 587
Franklinton, Louisiana

We have performed the agreed-upon procedures, which the Washington Parish School Board (the Board) has specified in our engagement letter to test the compliance with policies and procedures concerning individual school activity accounts and school property inventory of Varnado High School (the School) for the years ending June 30, 2005 and 2006. This engagement was completed solely to assist the Board in assessing compliance with procedures in these areas. Our engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Because the agreed-upon procedures listed in the engagement letter do not constitute an examination, we do not express an opinion on the tests of compliance with procedures. In addition, we have no obligation to perform any procedures beyond those listed in the engagement letter. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the Board.

The following is a recap of the procedures performed and the results of those procedures by area:

Inventory

Procedures Performed:

We tested the existence and completeness of the inventory sub-ledger on August 2, 2006, as well as reviewed the controls over the identification process over inventory. To test existence we tested a systematic sample of twenty items from the inventory sub-ledger to the actual item with a threshold over \$1,000. To test completeness we tested twenty items from the actual item to the inventory sub-ledger with no minimum threshold.

Comments from our testing of inventory:

- The inventory manager at Varnado High School had an inventory report generated, March 22, 2006, which labeled five out of the twenty sheet to floor sample items from the main office generated inventory listing dated August 2, 2006, as disposed. None of these items were located at the school during our inventory count. Upon review of the inventory manager's listing and matching some of those items back to the inventory sub-ledger it

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- would appear that there are several more assets, which have been disposed of which have not been recorded as disposals on the main office's listing. It does not appear that the inventory manager's report dated March 22, 2006, was reconciled with the main office's inventory system to eliminate all of the disposals. BH suggests an additional reconciliation of the inventory manager's listing dated March 22, 2006, with current inventory listing at the main office to eliminate these items to ensure that the financial statements are prepared using correct information.
- During our inventory count, BH noted the location of some items were changed between the May count and the August 2, 2006 count and these location changes were not noted on the listing. With the assistance of the inventory manager, BH was able to locate most re-located items. However, this resulted in BH being unable to locate one item, a computer desk. The inventory detail should be kept up to date, including the location of items. There is a risk that if the inventory locations are not updated an item could be stolen and the school may not be able to identify the item as missing in a timely manner. BH suggests more frequent updates to the inventory location fields to assist in tracking the movement of inventory items.

Conclusion on Inventory Area

The school's current inventory sub-ledger tested does not appear to delete all of the disposals identified on the inventory manager's sub-ledger dated March 22, 2006. A current reconciliation of records kept at the school and the main office should be conducted. Bruce Harrell and Company would also suggest a biannual inventory at minimum on computer related inventory items due to the higher risk of theft and level of turnover due to shorter estimated useful lives, followed by a biannual assessment on disposals of computer related inventory, which is jointly approved by the school's inventory manager, technology personnel and the principal to ensure that only valid inventory items remain on the school's listing. The School's computer related items including laptop's and desktop's appeared to be well secured behind lock doors and properly tagged in most instances.

School Activity Accounts

Procedures Performed:

We tested the controls over the cash disbursements and receipts processes over the School's Activity cash account for the years ended June 30, 2005 and June 30, 2006 to evaluate compliance with the Board's policies and procedures. We tested separate twenty-five item systematically selected samples of cash disbursements and cash receipts for each fiscal period. We tested a random sample of bank reconciliations for each fiscal period. We also performed gross profit analysis on activity sub-accounts, which generated sales activities for each year.

Conclusion on cash receipts testing:

Based on cash receipt compliance testing, no exceptions were found from compliance with board procedures for the fiscal years ended June 30, 2005 and June 30, 2006. All cash receipt amounts agreed to deposit slip and deposit detail. Receipt number in general ledger system agreed to deposit detail. Deposits appeared timely.

Conclusion on cash disbursements testing:

Based on results of sample testing of controls over cash disbursement for the fiscal years ending June 30, 2005 and June 30, 2006, it appears that the controls of supplying a school requisition form, purchase order and proper approval before the issuance of a check by the school were operating properly, with one exception where an invoice or receipt was not provided during the year ended June 30, 2005. For all other sample items tested a valid requisition, purchase order, and invoice or receipt was approved and attached together and filed in a clearly labeled folder inside the school's files. Bruce Harrell and Company also attempted to validate whether specific additional cash disbursements related to the basketball account were not

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properly requisitioned as described and concluded upon below under the Personnel Issues section.

Conclusion on bank reconciliation testing:

Monthly bank reconciliations appear to be being performed on a monthly basis and were reviewed by the principal. All reconciliations tested appeared to be mathematically correct, all deposits in transit and outstanding checks tested over a scope of \$500 cleared on subsequent bank statements. There were no exceptions to Board policies and procedures noted.

Results of testing on gross profit analysis:

Bruce Harrell and Company matched the available cash receipts and cash disbursements in the band concession, school concession, basketball concession and fundraising sub-accounts for the years ending June 30, 2005 and June 30, 2006. The sales pricing structure of the concession stands data was unavailable to assist in assessing the reasonableness of profitability. Gross profit for the year ended June 30, 2005, for key categories was computed as follows: band concession \$4,002 (43%), school concession (including basketball) \$2,185 (49%). Gross profit for the year ended June 30, 2006, for key categories was computed as follows: band concession \$3,250 (39%), school concession \$2,671 (55%) and basketball concession \$4,004 (25%).

Conclusion on results of testing of gross profit analysis:

We recommend that the school and the teams agree on a pricing structure for concession items, which can be compared to expected cost to create an expected level of gross margin per sale in order to segregate the profit margin in concession accounts. The sub-ledgers maintained on concession accounts presently do identify transfers into the general versions of accounts to process all non-concession related expenses. If this segregation is not maintained and an expected profit margin is not developed there is a higher risk of misappropriation of assets going undetected.

It would also appear that non-direct costs are creating cash disbursements under concession designated sub-accounts. Per review of the Board's policies and procedures over school activity cash disbursements and per clarification of the written policy through discussion with main office personnel, the policy to transfer profit created in activity accounts to the general account or the general version of a specific account, such as band concession into the band account, does not apply to sport or band concession activities. We recommend that the exclusion of these sales activities be specified in the written policies.

Specific Personnel Issues

Procedures Performed:

We tested information related to the previously completed work by internal audit concerning issues related to cash disbursements involving the basketball related sub-accounts for the fiscal year ending June 30, 2005. We vouched support related to the \$391 of expenses requested for reimbursement. We vouched a sample of the supporting documentation related to expenses internal audit considered to be improperly requisitioned. We verified our understanding of the fact pattern with available personnel at the School through interviews. BH also tested the transfers in to and out of the basketball and football related sub-accounts for the fiscal years ending June 30, 2005 and 2006.

Comments from our testing of specific personnel issues:

- We traced all expenses to supporting documentation including a check copy or a purchase order.

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- The three cash disbursements for meal expenses totaling \$211.61 in the \$391 amount did not appear to meet the requisition requirements required by the Board and would appear to warrant reimbursement back to the School. The expenses did not appear to have properly processed purchase orders. The expense report has a purchase request dated before the dates of expenses (March 10, 11, and 12, 2005), but the purchase order is signed by the Principal and dated March 14, 2005 after the dates the expenses were incurred. Purchase order series used of 13499 to 13500 also does not agree to timing of the next purchase order of 13501 dated March 11, 2005 before the date of March 14, 2005 when the purchase order was signed. On the cash disbursement dated March 12, 2005 a receipt submitted had written additional amount added for \$15 labeled as running tab and tip for \$15.67. Meals with sales tax were \$29.33 at 15% tip would warrant \$4.40 leaving \$11.27 for running tab. There were no beverages listed on receipt. It is not clear whether funds were used to purchase any alcoholic beverages from support provided. According to the nature of the receipt and from discussions with individuals at the school, it does not appear that students were present at the meal.
- A cash disbursement for a \$30 fee in the \$391 for an NCAA eligibility waiver appeared to warrant reimbursement to the School. The amount appeared to be properly requisitioned.
- A cash disbursement for a \$100 in the \$391 for a golf tournament fee appeared to warrant reimbursement to the School. The amount appeared to be properly requisitioned.
- Concerning a cash disbursement for a \$110 for warm up uniforms for a player in the \$391, based on the support provided regarding basketball equipment, it would appear that all players except the coach's son and one JV player have either an amount due listed or amount paid with a date listed. It is not determinable based on the support provided, assuming that it is accurate, if those players received equipment but did not pay for it. We can not make a clear determination if the amount should be reimbursed based on the evidence provided.

A total of \$5,133 of expenses in the basketball account were questioned for proper requisitioning during the internal audit process. Our results to verify a sample of those items are as follows:

- For cash disbursement check number 12036 on November 20, 2004 in the amount of \$1,200, the amount is for a check made out to Cash for travel to the capitol city shootout for a charter bus. The stub is not properly processed with a computer print out but is written to First Baptist Church for a trip to Austin Texas, which if there were fourteen people on the varsity team and the one coach that would be \$80 a person, which the price appears reasonable. There is no invoice or reference to which bus company was used if any. The purchase order in the system of 13063 also does not match the purchase order number attached of 13045. It appears that a blank check requested for Cash was requisitioned and the check was then completed to the payee First Baptist Church. We concur with the internal auditor's finding that the cash disbursement was not processed in accordance with the Board's policies and procedures.
- For cash disbursement check number 12336 on March 7, 2005 in the amount of \$3,394, the amount is for Basketball jerseys, shorts, shoes, and warm-ups. A purchase request dated February 24, 2005 has the principal's signature on it. The invoice was dated February 25, 2005 and the purchase order is dated September 28, 2004. Therefore the purchase order was processed before a requisition and it appears that the requisition may have been created and dated after the invoice arrived, which would violate

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procedures. It would appear that due to the nature of the expense a breakdown of the pricing of the order could have been obtained from the vendor as a quote for supplying the uniforms and submitted with a timely requisition before the order was made. It would appear that no requisition request was made prior to the approval of the purchase order. Also based on the timing of the purchase order it is suspect whether the amount of the order could have been quantified without such information to validly approve any purchase order. It is also notable that on the same date of the cash disbursement \$2,152 was also transferred out of the basketball account back into the football account, which in part rectified \$1,700 of cash transferred into the basketball account from the football account on November 30, 2004. We concur with the internal auditor's finding that the cash disbursement was not processed in accordance with the Board's policies and procedures.

- For cash disbursement check number 12495 on May 25, 2005 in the amount of \$10, the amount is one in a series of seven amounts totaling \$159 for gasoline. It would appear that since the expense was directly for gasoline, that it is a violation of the Board's policies and procedures to reimburse employees for mileage instead of direct fuel costs. We concur with the internal auditor's finding that the cash disbursement was not processed in accordance with the Board's policies and procedures.

Bruce Harrell & Company reviewed transfers in and out of the football and basketball related accounts for the years ended June 30, 2005 and 2006. It appears that the total net transfers from football-based accounts into basketball accounts were \$1,396 for the 2005 year. The total net transfers to football-based accounts from basketball accounts were \$1,424 for the 2006 year. It is not clear based on the available records whether any of the funds transferred were restricted for the purposes of their originating sub-account. Any transfer of a restricted fund would constitute a violation of the Board's policies. Based on the ending balance of \$150 for Basketball for 2005 and the ending balance of \$70 for football in 2006 it would appear that these net variances between accounts were expended and insufficiently funded at period end to fund a return transfer to the originating sub-account.

Conclusion on results of specific personnel issues:

Based on the review of internal audit procedures, it appears that the expenses requested for reimbursement did not follow board policies and procedures for the reasons described above and would appear to warrant reimbursement to the school based on the nature of the apparent violation of those procedures. It also appears that from the sample tested of questioned expenses that the expenses did not appear to follow board policies and procedures as described above. These expenses would not appear to warrant reimbursement to the School, except for the potential expenses for gasoline in excess of what the employee would have been compensated for mileage driven in the interest of the School.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms and results of our engagement. If you have any questions, please let us know. This report is intended solely for the use of the Board and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.



Bruce Harrell & Company, CPAs

August 21, 2006

WASHINGTON PARISH SCHOOL BOARD

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November 10, 2006

RECEIVED
06 NOV 13 PM 12:00

Management's corrective action plan

Re: Agreed upon procedures report
Varnado High School,
dated 8/21/06

Louisiana Legislative Auditor
Steve Theriot
1600 N. Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Mr. Theriot:

This correspondence is to document to you, the WASHINGTON PARISH SCHOOL SYSTEM's corrective action plan to findings in our Agreed upon procedures report regarding Varnado High School, dated August 21, 2006, prepared by Bruce Harrell and Co.

Finding 1, page 3 regarding inventory: The school's current inventory sub-ledger tested does not appear to delete all of the disposals identified on the inventory manager's sub-ledger dated March 22, 2006...

WPSB response: Procedures are in place to assure that all changes to property inventory as noted by the schools' on the reports as verified by them are made by the Central Office inventory clerk on property records. This particular finding occurred because our inventory clerk was on maternity leave in late spring 2006 and had not fully completed entering the changes that occurred during the fiscal year ended 6/30/06 at the time of this engagement. We did make sure that all additions as evidenced by our expenditure records and disposals as reported by schools were correctly reflected in our records. Due to Hurricane Katrina, we had numerous items that had to be moved and or disposed, it has taken most of the fiscal year to get our inventory in a reconcilable form. At this particular school, we lost the entire roof over the north wing, which housed 3 computer labs and a science lab, among other classrooms. Our inventory clerk is currently working with all schools to verify our entire property inventory and retag all assets to scan able labels which will work with a handheld reader and our software

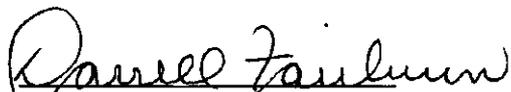
system for tracking assets. We are working diligently to obtain complete accountability on the property inventory for Washington Parish School System.

Finding 2, page 6, Specific personnel issues... regarding expenditures not following board policies and procedures and questioned expenses...

WPSB response: Upon discovery, through an internal examination, of school board purchase procedures not being followed by a coach and an interim principal at Varnado High School, the superintendent held a conference with each party and explained school board procedures concerning the areas disregarded. Several expenditures made by the coach were deemed inappropriate and were recovered through payroll deduction from him. While, school board purchasing policy and procedures were conveyed to the interim principal, central office business personnel will monitor interim and new principals closer during their beginning time of service making sure they fully understand financial policies and procedures.

If any further information is needed concerning this matter, please do not hesitate to contact our office.

Sincerely,


Darrell Fairburn
Superintendent