

DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED FEBRUARY 8, 2012

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
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DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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 Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$4.01. 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. 80110064 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 12, 2012

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, 2011, we conducted certain procedures at the Department of Education (DOE) for the period from July 1, 2010, through June 30, 2011.

- 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 DOE, through inquiry, observation, and review of its policies and procedures documentation, including a review of the related laws and regulations applicable to DOE.
- 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 finding identified in the prior audit report on DOE, dated January 24, 2011. The prior year finding relating to noncompliance with federal and state equipment management regulations has not been resolved and is addressed again in this letter.
- 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, 2011, 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, 2011, as part of the Single Audit for the State of Louisiana:

- Title I, Part A Cluster (CFDA 84.010, 84.389)
- Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392)
- Improving Teacher Quality State Grants (CFDA 84.367)
- Education Jobs Fund (CFDA 84.410)
- School Improvement Grants Cluster (CFDA 84.377, 84.388)
- 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 following significant finding is included in this letter for management's consideration and will be reported in the State of Louisiana's Single Audit Report for the year ended June 30, 2011.

Noncompliance With Federal and State Equipment Management Regulations

For the fifth 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.

In a test of 26 items of equipment purchased with federal and state funds, the following exceptions were noted:

- Seven (27%) items selected were not entered into Protégé within 60 days of receipt. The delays in entering the equipment ranged from three to 33 days.
- Six (23%) items 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, three items totaling \$11,616 were reported from 241 to 626 days late.
- For Property Certification Agency 26812, DOE Special School District, 13 items totaling \$29,139 were reported from six to 283 days late.
- For Property Certification Agency 26816, Restart Non-Public Schools, 68 items totaling \$153,038 were reported from one to 1,215 days late.

DOE also reported 49 items of movable property purchased at a cost of \$73,031 as stolen to the legislative auditor and district attorney in the current fiscal year. Forty-seven items were purchased with federal funds: 45 from the Hurricane Education Recovery - Immediate Aid to Restart School Operations program (CFDA 84.938A) and two from the Hurricane Katrina Foreign Contributions program (CFDA 84.940).

The Louisiana Administrative Code 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 within 60 calendar days after receipt of these items. OMB Circular A-87 requires the state to use, manage, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures.

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 state and federal 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 equipment is tagged and reported accurately and timely in accordance with state and federal regulations and assets are properly safeguarded to prevent theft. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

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. This 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, prominent initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KS:CRV:BQD:THC:dl

DOE 2011

Appendix A

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



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION
POST OFFICE BOX 94064, BATON ROUGE, LOUISIANA 70804-9064
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<http://www.louisianaschools.net>

December 8, 2011

Daryl G. Purpera, CPA, CFE
Legislative Auditor
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Noncompliance with Federal and State Equipment Management Regulations

Dear Mr. Purpera:

The Louisiana Department of Education (LDOE) concurs with the finding regarding the "Noncompliance with Federal and State Equipment Management Regulations."

The Department would like to address the finding as follows:

Items not tagged within 60 days: The Department acknowledges the need to reinforce the timely tagging of items received by nonpublic schools. The Department will require the Property Manager to notify the recipient of the item, either an agency or a nonpublic school, when the item is received to begin the process to properly tag all new items in a timely fashion. The Department plans to request an exception to the 60-day rule for nonpublic schools, which are nonstate entities, due to the following factors: property is delivered directly to the nonpublic schools all across the state; therefore, there is a time delay of receipt of the receiving report at the Department, coupled with the time to mail the tags and wait for the return receipt of the EPC5 form.

Items did not have the federal participation percentage recorded in Protégé: The Department will strengthen internal controls to ensure federal participation percentages in Protégé are recorded accurately by requiring the Property Manager to validate that an accurate percentage is present in the system.

Protégé late additions: The Department will periodically require an individual other than the Property Manager to run the "Asset Listing by Purchase Order" report and reconcile ISIS to Protégé. This reconciliation will eliminate many of the errors for the Agency.

Finally, the Department has added additional corrective actions to resolve the noncompliance, such as annual site visits by the Property Manager for continued training and on-site inventory at each of the nonpublic school sites and implementing a procedure imposing financial damages on nonpublic schools for the loss of property due to

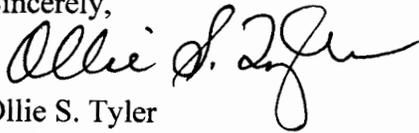
"An Equal Opportunity Employer"

Mr. Daryl G. Purpera
Legislative Auditor
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noncompliance with Federal requirements, State law and administrative policies and procedures.

Leslie Jewell, Division Director for Appropriation Control, is the contact person for this finding for the LDOE. You may contact her at (225) 342-3830.

Sincerely,



Ollie S. Tyler
Acting State Superintendent of Education

OST:BS:LJ

C: Beth Scioneaux, Deputy Superintendent for Finance
Sharon Southall, Executive Management Officer
Leslie Jewell, Division Director for Appropriation Control
Carmen R. Victorian, CPA
Kathy Steelman, CPA