

LOUISIANA SCHOOL FOR MATH, SCIENCE,
AND THE ARTS

DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 30, 2015

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 30, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Dr. Pat Widhalm, Executive Director
Louisiana School for Math, Science and the Arts

Dear Senator Alario, Representative Kleckley, and Dr. Widhalm:

This report provides the result of our procedures at the Louisiana School for Math, Science, and the Arts (School) for the period from July 1, 2013, through June 30, 2015. Our objective was to evaluate certain controls that the School uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and provide overall accountability over public funds. I hope this report will benefit you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the School for their assistance during our work.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana School for Math, Science, and the Arts

September 2015

Audit Control # 80150044

Introduction

The primary purpose of our procedures at the Louisiana School for Math, Science, and the Arts (School) was to evaluate certain controls the School uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and provide overall accountability over public funds.

Established by the Legislature in 1982, the School is a state-supported residential high school located in Natchitoches, Louisiana, founded to serve the academic, artistic, and creative needs of many of the state's best students. Students typically apply during either their freshman or sophomore year for the opportunity to attend the School during their final two or three years of high school. Consideration is also given to students who apply only to attend the School for their senior year. As a public school, there is no tuition but only a nominal room and board fee that can be reduced or waived.

The mission of the School is to foster in its young scholars lifelong growth toward reaching individual potentialities and toward finding places of work and service in a global society through the examination and exchange of ideas in a community of learners.

Results of Our Procedures

We evaluated the School's operations, including ACT scores, School funding, cost per pupil, and the Virtual School. Our procedures identified the following:

- The School's ACT Composite Scores over a five-year period were 8.6 points higher than the state average and 7.5 points higher than the national average.
- Although the school has experienced only a 5.4% drop in its February 1 enrollment since 2009, its state appropriations decreased by 31.9% during the same period. Minimum Foundation Program funding, which the School began receiving in 2012, has been used to make up for the lost state appropriations.
- The School's fiscal year 2014 cost per pupil of \$27,720 is higher than the state average cost per pupil of \$12,050 because the School is a residential facility, whereby students live on the School grounds.

- The School’s “Virtual School” is facing increasing competition from other online providers, including universities, who have begun to provide online learning at a lower cost.

We also evaluated the School’s system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on documentation of the School’s controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, movable property, professional service contracts, travel expenditures, payroll expenditures, retailer credit cards, and information technology access. Our procedures did not identify any problems in these areas.

We compared the most current and prior-year financial activity using the School’s annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

Operations of the School

ACT Composite Scores

The School’s ACT Composite Scores over a five-year period were 8.6 points higher than the state average and 7.5 points higher than the national average.

Exhibit 1 - ACT Scores							
	2009	2010	2011	2012	2013	2014	Average
School	29.0	27.6	28.6	28.0	28.7	28.4	28.5
State	20.1	20.1	20.2	20.3	19.5	19.2	19.9
National	21.1	21.0	21.1	21.1	20.9	21.0	21.0
Source: ACT, Inc. and the Louisiana Department of Education							

School Funding

The Board of Elementary and Secondary Education collects student enrollment count information semi-annually on October 1 and February 1. BESE uses the February 1 enrollment count to determine funding to the School for the subsequent fiscal year. The School’s Board of Directors has established a formula that is used to calculate how many students the School can enroll based on the amount of state appropriation received. Although the School has experienced only a 5.4% drop in its February 1 enrollment since 2009, its state appropriations decreased by 31.9% during the same period.

The School began receiving MFP funding in fiscal year 2012. Between fiscal years 2012 and 2014, MFP funds allocated per student were \$5,035, \$4,922, and \$5,060, respectively. The MFP formula changed in fiscal year 2015 to allow the local domicile funding to follow the students to the School, resulting in an average per student allocation of \$8,771, or a 74.2% increase from fiscal year 2014. The amount of MFP funding received in fiscal year 2015 approximates the amount of state appropriations that have been cut since 2009. The School's fiscal year 2015 MFP allocation by parish, based on February 1, 2014, enrollment is detailed in Exhibit 2.

Exhibit 2 - MFP Allocation, by Parish, as of February 1, 2014, Enrollment			
Parish	School Enrollment	Per Pupil Cost	School MFP Amount
Acadia	7	\$7,760	\$54,323
Allen	1	9,908	9,908
Ascension	14	8,375	117,251
Avoyelles	3	7,884	23,653
Beauregard	4	9,243	36,974
Bossier	12	8,792	105,507
Caddo	2	8,847	17,693
Calcasieu	9	8,927	80,347
Caldwell	1	11,212	11,212
Concordia	1	9,180	9,180
DeSoto	2	8,380	16,759
East Baton Rouge	25	8,883	222,097
Evangeline	2	8,569	17,139
Franklin	2	9,193	18,386
Iberia	6	9,099	54,592
Iberville	3	8,952	26,856
Jefferson	6	9,047	54,284
Lafayette	12	8,150	97,809
Lafourche	3	8,300	24,900
Lincoln	3	8,981	26,943
Livingston	17	8,286	140,854
Morehouse	1	9,820	9,820
Natchitoches	17	9,001	153,016
Orleans	2	8,872	17,744
Ouachita	7	9,276	64,930
Plaquemines	1	9,245	9,245
Pointe Coupee	6	9,019	54,114
Rapides	16	8,918	142,692
Red River	1	9,299	9,299
Sabine	3	9,727	29,180
St. Bernard	2	9,124	18,248

Parish	School Enrollment	Per Pupil Cost	School MFP Amount
St. Charles	3	\$8,291	\$24,873
St. James	5	9,407	47,035
St. John the Baptist	1	9,451	9,451
St. Landry	7	8,029	56,209
St. Martin	7	9,024	63,172
St. Mary	5	9,120	45,599
St. Tammany	10	9,334	93,346
Tangipahoa	6	7,881	47,287
Terrebonne	18	8,444	152,002
Vermilion	1	8,441	8,441
Vernon	14	8,614	120,601
Webster	4	9,249	36,998
West Carroll	1	8,453	8,453
West Feliciana	4	9,968	39,873
Winn	1	10,014	10,014
School's MFP Totals	278	\$8,771	\$2,438,309
Source: Fiscal Year 2015 MFP Budget Letter			

Cost Per Pupil

The School's fiscal year 2014 cost per pupil of \$27,720 is higher than the state average cost per pupil of \$12,050 because the School is a residential facility, whereby students live on the School grounds. The School's cost per pupil increased substantially in 2014, mainly due to increases in faculty and classified employee salaries, summer school, and operating costs. To help meet higher costs in 2013-2014, Act 14 of 2013 allocated an additional appropriation of \$960,000 to the School.

Exhibit 3 - Cost Per Pupil					
	2010	2011	2012	2013	2014
Total State Average	\$10,622	\$12,354	\$10,626	\$11,962	\$12,050
Total School	\$22,200	\$22,450	\$23,046	\$23,726	\$27,720
School Instruction Costs	\$12,935	\$11,939	\$11,913	\$11,604	\$13,359
School Residential Costs	\$5,127	\$4,773	\$5,223	\$5,293	\$6,281
School Administrative/Support Services	\$4,138	\$5,738	\$5,910	\$6,829	\$8,080
Source: School's Annual Fiscal Report (Unaudited) and the Department of Education					

Virtual School

The School's services include a Virtual School, which is a Louisiana Department of Education (DOE)-approved provider of online courses through a Supplemental Course Academy that provides an accelerated curriculum for high school sophomores, juniors, and seniors across the state of Louisiana.

The Louisiana Virtual School had been a DOE-approved provider of online high school courses at the School since 1989 until it was dissolved in May 2013. In December 2014, the Course Choice Program was adopted by the Louisiana Legislature. In spring 2015, the program name changed to Supplemental Course Academy (SCA), and the funding for this program changed to a MFP supplement provided to each school district, charter school, and special legislative school district. The money must be used to enroll students in the SCA provider courses and is managed by the DOE Course Choice Office.

As a supplemental course provider, the School provides online high school and Advanced Placement (AP) courses to middle and high school students in Louisiana and teaches approximately 331 students, which includes 268 public and 63 private school students. The School's online course fees range from \$762 for a one-credit AP course to \$356 for a one-half-credit course.

The School has seen a decline in revenues from its Virtual School (see Exhibit 4 on page 8) due to increases in the number of other course providers for the Supplemental Course Academy. In 2015, universities were allowed to become course providers offering dual enrollment to high school students at \$100 to \$150 per course. These include universities within close proximity to the School, such as Northwestern State University, Louisiana State University-Shreveport, Louisiana State University-Alexandria, Louisiana Tech University, and Grambling State University. Universities' costs per course are inclusive of all tuition and fees, but the student is responsible for textbooks and course material. Also, universities can offer dual enrollment courses on demand; or the courses can be taught by university or high school faculty approved by the university. The School acknowledges that universities can provide online learning at a lower price than the School's Virtual School and is exploring ways that it can become more competitive in future years.

Evaluation of Controls

Cash

Our procedures included a review of the controls over cash accounts, including imprest, room security deposit, restricted, and student club accounts. The imprest account is used to reimburse travel, messenger services, employees' out of pocket expenses, and payments that must be made to a vendor because of a deadline. The room security deposit account is an escrow account for student room deposits of \$150 per student. The restricted account is used for projects with expenditures restricted by the funding authority, typically the Louisiana School for Math,

Science, and the Arts Foundation. The student club account is an agency fund used for student organizations on campus and their activities, and the School has fiduciary responsibilities over this account. Based on the results of our procedures, the School had adequate controls in place to ensure all accounts were approved, duties were properly segregated, access to cash was limited, and student club funds were not misused.

Movable Property

Our procedures included a review of controls over movable property. Based on a review of the Certification of Annual Property Inventory as of August 2014, the School had movable property totaling approximately \$2.1 million. Based on the results of our procedures, the School had controls in place to ensure that assets were properly safeguarded and recorded and that the School complied with state property regulations.

Professional Service Contracts

We performed procedures to determine whether expenditures for professional service contracts for legal and Internet services complied with established policies and state rules and regulations. We also verified that expenditures were supported by receipts or other appropriate documents. Based on the results of our procedures, the School had adequate controls in place to ensure that contract expenditures were supported, made within established limits, processed in accordance with School policies, and properly monitored.

Travel Expenditures

We performed procedures to determine whether travel expenditures complied with applicable state laws and regulations. We obtained an understanding of the School's controls over travel transactions and examined supporting documents for accuracy and compliance. Based on the results of our procedures, the School had adequate controls in place to ensure that travel expenditures were properly authorized and supported and were processed in accordance with state laws and regulations.

Payroll Expenditures

The school has approximately 120 employees, and payroll costs make up more than half of the School's total expenditures, as shown in Exhibits 5 and 6. We obtained an understanding of the School's controls over hiring, attendance, leave, compensatory time, and payroll payments. We performed inquiries and observations and analyzed the change in total payroll expenditures between fiscal years 2014 and 2015 to determine if employees are properly supervised and payroll expenditures are reasonable. Based on the results of our procedures, the School has

adequate controls in place to ensure employees are adequately supervised and payroll expenditures are accurately recorded.

Retailer Credit Card

The School uses a retailer credit card to make small-dollar purchases. We obtained an understanding of the School's controls over the card and reviewed credit card transactions between July 1, 2013, and February 4, 2015, which were less than \$1,200. Based on the results of our procedures, the School had adequate controls in place to ensure that card purchases were made for proper business purposes and sufficient documentation was maintained to support purchases.

Information Technology Access

We performed procedures to determine whether information technology (IT) access was restricted to business-need only and adequately segregated. The School uses Asset Works for property management and the Integrated Statewide Information System for general ledger data and financial statement preparation. Based on the results of our procedures, the School had adequate IT controls in place to ensure access was properly restricted and segregated.

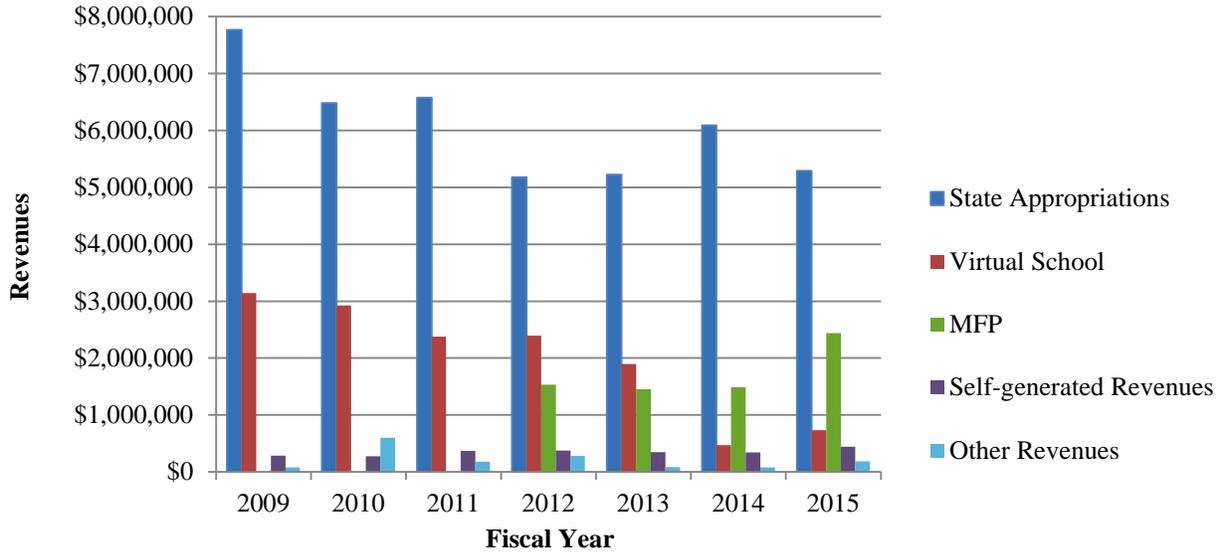
Trend Analysis

We compared the most current and prior-year financial activity using the School's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

The School's revenue comes from five sources: state appropriations, Virtual School, MFP funds, self-generated, and other (see seven-year analysis in Exhibit 4). No tuition is charged to the students because the residential school is primarily funded by state appropriations and the MFP.

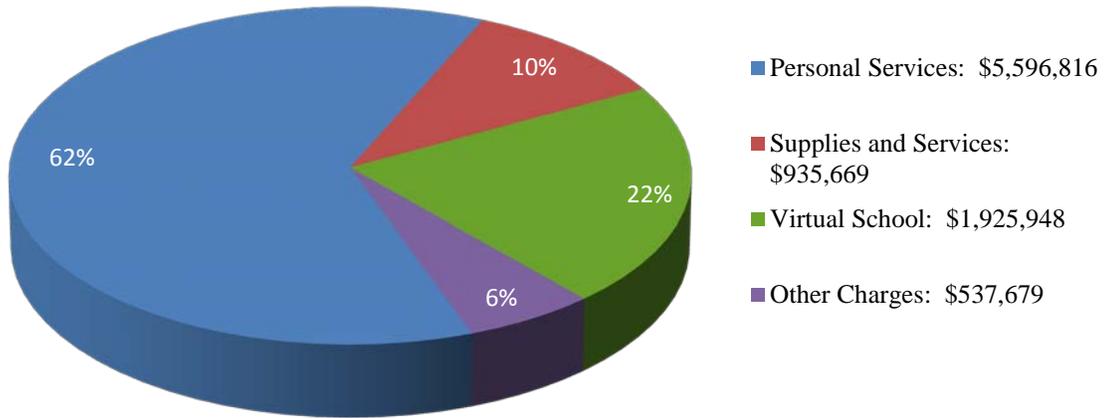
We also presented the School's expenditures for fiscal years 2013 and 2014 (see Exhibits 5 and 6).

**Exhibit 4
Funding Sources, by Fiscal Year**



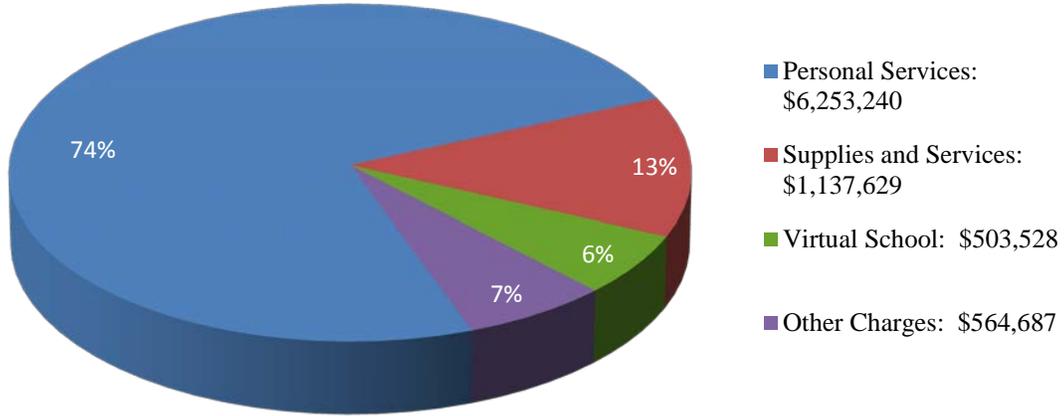
Source: Fiscal Year 2009-2014 School Annual Fiscal Reports, Schedule 1 and Fiscal Year 2015 Adjusted Budget Amounts.

**Exhibit 5
Fiscal Year 2013 Expenditures
Total: \$8,996,112**



Source: 2013 Annual Fiscal Report and ISIS Org Report

Exhibit 6
Fiscal Year 2014 Expenditures
Total: \$8,459,084



Source: 2014 Annual Fiscal Report and ISIS Org Report

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana School for Math, Science, and the Arts (School) for the period from July 1, 2013, through June 30, 2015. Our objective was to evaluate certain internal controls the School uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and provide overall accountability over public funds. The scope of our procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the School's Annual Fiscal Reports, and, accordingly, we do not express an opinion on those reports. The School's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. We performed the following procedures:

- We evaluated the School's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the School.
- Based on the documentation of the School's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, movable property, professional service contracts, travel expenditures, payroll expenditures, retailer credit cards, and information technology access. We also evaluated the School's operations for informational purposes, including ACT composite scores, school funding, cost per pupil, and the Virtual School.
- We compared the most current and prior-year financial activity using the School's annual fiscal reports and/or system-generated reports and obtained explanations from School's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at the School and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.