

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Board of Elementary and Secondary Education
State of Louisiana
Baton Rouge, Louisiana

April 16, 1997



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**BOARD OF ELEMENTARY AND SECONDARY EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated March 21, 1997**

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.

April 16, 1997



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March 21, 1997

BOARD OF ELEMENTARY AND SECONDARY EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1997, we conducted certain procedures at the Board of Elementary and Secondary Education. Our procedures included (1) a review of the board's internal control structure; (2) tests of financial transactions for the years ended June 30, 1997, and June 30, 1996; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 1997, and June 30, 1996.

The June 30, 1997, Annual Fiscal Report of the Board of Elementary and Secondary Education is not within the scope of our procedures, and, accordingly, we do not express an opinion or any other form of assurance on that report upon its issuance. The board's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected board personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Improper Payroll Records and Expenditures
for Federal Grant Program**

The Board of Elementary and Secondary Education (board) does not maintain proper time distribution records for personal services charged to the Vocational Education - Basic Grants to States (CFDA 84.048) program. The board also spent \$5,766 for costs related to the search for a new state superintendent of education that are not allowable expenditures of these funds. The Office of Management and Budget (OMB) Circular A-87 states that personal services for employees working on multiple activities be supported by time and attendance records based on actual time activity. It also states that general government expenditures are not allowable costs of federal programs. Regulations for the Vocational Education - Basic Grants to States program (Code of

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Federal Regulations 34:403.180) also do not permit funds to be used for general operating expenditures of the board.

Our test of transactions and records for the period July 1, 1995, to January 31, 1997, revealed the following:

- Four employees were paid \$33,657 from grant funds based on estimated salary percentages instead of the actual time spent on program activity. The board does not require its employees to maintain time distribution records for amounts charged to the Vocational Education - Basic Grant to States.
- The board spent \$5,766 for expenses incurred during the search for a new superintendent of education. These funds were not for the administration of the state plan for vocational education; therefore, we question the expenditures associated with filling the position of superintendent of education as an allowable expenditure of this program.

The board's staff indicated that it was not familiar with the federal requirements of the OMB regulations for time distribution records and Basic Grants to States for Vocational Education. As a result, the board has charged expenses to the grant that are not properly supported and that are not allowed.

The board should develop appropriate time distribution records to support amounts for personal services charged to the federal program and should establish procedures to ensure program funds are used to administer the state plan for vocational education. The board should also contact the Department of Education, the primary grantee, relative to the \$5,766 of questioned costs. In a letter dated March 21, 1997, Ms. Weegie Peabody, Executive Director of the Board of Elementary and Secondary Education, stated that management agreed with the finding and recommendations and will take steps to implement time distribution records for the next payroll period. She also stated that charges for the search for the new superintendent should not have been charged to the federal program. Financial staff will review expenses and verify compliance with grant regulations on an on-going basis.

Inadequate Internal Controls Over Leases

The Board of Elementary and Secondary Education does not have adequate internal controls over leasing of its property to outside entities. Louisiana Revised Statute (R.S.) 17:6.A(6) gives the board the authority to lease land or property belonging to it or to any vocational-technical school under its jurisdiction, subject to approval of the commissioner of administration and in accordance with law. In addition, R.S. 41:1219

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and 1293, respectively, requires the lessor to exercise supervision of leases to ensure compliance of the lease terms and to retain a copy of the lease.

In our review of leases and property records of the board, we determined the following:

- Three leases for space in three vocational-technical colleges to outside entities were not approved by the commissioner of administration. Also, the board did not obtain an insurance certificate from the lessee to verify compliance with the insurance requirements specified in the lease. One of the three leases expired in 1992, and the lessee has continued to occupy the facilities without a current lease. The board's staff was not aware of the existence of this lease and did not have a copy of it.
- We identified four oil, gas, and other mineral leases on the property of the vocational-technical colleges. The board's management was not aware of three of these leases and did not have a copy of them. Also, management does not know if any royalties from these leases are due to the board, but have not been paid.

Because the board has not maintained current and complete property records, it cannot ensure that all leases are in compliance with state laws, that all income due from leases is paid to the state, and it does not know if other leases exist in which the board is named as lessor.

The board should prepare and maintain current and complete property records of all state property for which it is responsible and should comply with state laws and regulations regarding the leasing of this property. In a letter dated March 21, 1997, Ms. Weegie Peabody, Executive Director of the Board of Elementary and Secondary Education, agreed with the finding and recommendation and stated that management of leases over properties that are titled to the board will be administered according to regulations of the Division of Administration. The board will begin implementing these procedures immediately.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the board. The varying nature of the recommendations, the implementation costs, and the potential impact on operations of the board should be considered in reaching decisions on courses of action. Findings relating to the board's compliance with applicable laws and regulations should be addressed immediately by management.

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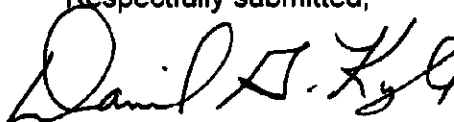
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This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLB:WMB:dl

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