

LOUISIANA SCHOOL FOR MATH,  
SCIENCE, AND THE ARTS  
DEPARTMENT OF EDUCATION  
STATE OF LOUISIANA  
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### Payroll Controls

For the second consecutive audit, the Louisiana School for Math, Science, and the Arts does not have an adequate control structure over its payroll function. A good internal control structure requires that adequate control procedures be in place to reduce the risk that payroll related errors and/or irregularities by employees and their supervisors could occur and not be detected in a timely manner. In addition, Louisiana Revised Statute 42:290(A) requires that all changes in personnel activities be reported to the Department of State Civil Service within 30 days. We identified several internal control weaknesses that subject school assets to unauthorized use or consumption. The following deficiencies were noted:

- The fiscal officer receives and enters the time and attendance data, requests payroll checks, receives checks, prepares all personnel action forms, updates employee master files, updates payroll records, reconciles payroll deductions, and adjusts W-2s without any review or supervision.
- The school has no formal policy for earning, reporting, or using compensatory leave for its unclassified employees.
- The school has no formal internal control policies or procedures relating to the Office of Statewide Uniform Payroll System User's Manual for the on-line system.
- No one performs random audits of the time entry documentation entered into the system by the fiscal officer. A test of 20 employees revealed that one employee's leave did not agree with the time sheet. Time sheets for six other employees did not have leave slips to support leave taken. Several errors entered by the fiscal officer resulted in one of these employees being placed on leave without pay for 14 hours.
- The school does not have a formal policy requiring its Telelearning faculty to take leave when absent from work. As of the pay period ending November 3, 1996, the 13 faculty members have accumulated 5,606 hours of sick leave. Furthermore, records indicate that no sick leave has been taken by any of these faculty members in the last 13 years.

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana School for Math,  
Science, and the Arts  
Department of Education  
State of Louisiana  
Natchitoches, Louisiana

May 21, 1997

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***Financial and Compliance Audit Division***

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

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**LOUISIANA SCHOOL FOR MATH,  
SCIENCE, AND THE ARTS  
DEPARTMENT OF EDUCATION  
STATE OF LOUISIANA  
Natchitoches, Louisiana**

Management Letter  
Dated March 17, 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 and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

May 21, 1997



OFFICE OF  
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March 17, 1997

**LOUISIANA SCHOOL FOR MATH,  
SCIENCE, AND THE ARTS  
DEPARTMENT OF EDUCATION  
STATE OF LOUISIANA**  
Natchitoches, 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 Louisiana School for Math, Science, and the Arts. Our procedures included (1) a review of the school's internal control structure; (2) tests of financial transactions for the years ended June 30, 1997, and June 30, 1996; (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; and (4) a review of compliance with prior year report recommendations.

The June 30, 1997, and June 30, 1996, Annual Fiscal Reports of the Louisiana School for Math, Science, and the Arts were not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on these reports. The school'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 selected management 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.

In our prior management letter dated May 17, 1995, we reported findings relating to control environment, budgetary control, electronic data processing controls, payroll controls, purchasing controls, and movable property. The findings relating to budgetary controls and purchasing controls have been resolved; however, the findings relating to control environment, electronic data processing controls, payroll controls, and movable property are once again addressed in this report.

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

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### Control Environment

For the second consecutive audit, management of the Louisiana School for Math, Science, and the Arts has not established a good internal control environment to conduct the business affairs of the school. The control environment reflects the overall attitude, awareness, and actions of management and the staff concerning the importance of the control and its emphasis in the entity. Our examination revealed the following deficiencies which are not conducive to a good control environment:

- . Management has not communicated to its employees a commitment for having a strong internal control structure. As a result, management has not developed formal written policies and procedures for any control cycle.
- . Management has not developed and conveyed to its staff a code of conduct or provisions for conflict of interest disclosure.
- . Adequate training and supervision has not been provided to individuals holding key decision-making positions.
- . Unclassified accounting personnel do not have formal written job descriptions. Therefore, there are no standards for evaluating the job performance of these employees.
- . Sufficient controls are not in place to prevent or detect the violations of applicable state laws or regulations and informal policies of the school. Furthermore, there is evidence of the lack of understanding of significant laws and regulations affecting the school.
- . The fiscal officer performs practically all accounting, purchasing, and payroll functions at the school even though the school has a director of fiscal affairs and a comptroller. The fiscal officer performs her duties with little or no supervision. In addition, the fiscal officer is the purchasing and personnel director and performs all duties related to these positions.
- . Management has not developed a plan or procedures to address and correct audit findings in a timely manner.
- . Management has not developed policies and procedures to address on-campus political activities by its employees.

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- Between July 1, 1996, and October 1, 1996, 15 unclassified employees received changes in their pay that were not reported to the Department of State Civil Service.

Management has placed little emphasis on developing an internal control structure that would adequately safeguard the assets of the school. As a result, the assets of the school are subjected to an increase risk that errors and/or irregularities could occur and not be detected in a timely manner, if at all.

The Board of Directors should require the school to develop and implement an internal control structure that would ensure that payroll related expenditures are properly recorded, processed, and summarized so only authorized payroll expenditures are incurred. At a minimum, there should be formal written policies and procedures developed to ensure adequate separation of duties. In a letter dated January 21, 1997, Brother David Sinitiere, Executive Director since July 1, 1996, stated that the school concurred with the finding and that the school is developing formal policies and procedures to effectively deal with these findings. The school will also review and evaluate the established controls to determine if more or different controls need to be implemented to ensure and assure compliance with these established policies and procedures.

#### **Excess Spending of Appropriation**

The Louisiana School for Math, Science, and the Arts incurred expenditures in excess of its 1996 appropriation. Louisiana Revised Statute 39:57(A) states that in no case shall obligations be incurred or expenditures be made in excess of the total amount allotted to the agency. The school incurred expenditures of \$177,256 more than the total amount authorized by Act 16 of 1995. During the fiscal year ended June 30, 1996, management decided to recognize and pay salary obligations which had been accruing over several years. Because these obligations were not considered in the school's budget for fiscal year 1996, the payment of these expenditures resulted in the overspending, which is a violation of state law.

The Board of Directors should require school officials to operate the school within its annual appropriation. In a letter dated January 21, 1997, Brother David Sinitiere, Executive Director since July 1, 1996, stated that the school concurred with this finding, and that a new methodology for periodic review of the budget has been established to aid in preventing problems from occurring.

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- . The school's 1996 Certification of Annual Property Inventory was due in October 1995, but was not received by LPAA until April 1996. The school submitted an incomplete 1997 Certification of Annual Property Inventory to LPAA on September 8, 1996. The completed report has not been submitted to LPAA as of December 2, 1996.
- . The school does not reconcile between additions in its movable property records and acquisitions in its books of original entry.
- . The school does not have formal policies and procedures in place to ensure that all movable property purchased, donated, or self-constructed is recorded, processed, summarized, and reported as required by state property regulations.
- . Two of five items tested were tagged but were not recorded on the school's movable property records.
- . The school did not report the addition of \$51,989 of textbooks for the fiscal year ended June 30, 1996. In addition, the school has no policy for assessing the value of textbooks deleted.

Management's lack of emphasis for developing and implementing adequate policies and procedures resulted in all movable property not being accurately accounted for and reported to LPAA. As a result, information required to be submitted to LPAA was not submitted timely and what has been submitted is incomplete. Therefore, the Commissioner of Administration has the authority to invoke sanctions against the school to ensure future compliance.

The Board of Directors should take the appropriate action requiring school officials to develop and implement formal written policies and procedures that ensures compliance with LPAA regulations. These policies and procedures should ensure that all movable property is accounted for, recorded, and reported within the prescribed time. In addition, the board should require school officials to submit a complete and accurate annual certification by the prescribed time. In a letter dated January 21, 1997, Brother David Sinitiere, Executive Director since July 1, 1996, stated that the school concurred with this finding and that the school will develop formal, written policies and procedures with respect to its movable property records.



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- The fiscal officer is the only employee who has received formal training for the AGPS and OSUP systems and the only employee who uses them.

Management emphasis has not been directed toward developing and implementing the necessary controls to safeguard the integrity of these systems. Failure to institute the necessary controls places the systems and the information generated by the systems at risk. As a result, there may not be timely detection of incorrect or altered information.

The Board of Directors should require school officials to develop and implement formal policies and procedures that would ensure the integrity of the systems and the information generated. At a minimum, these policies and procedures should ensure that there are adequate separation of duties so that no employee is in a position to both perpetrate and conceal errors and/or irregularities. Periodic reviews of the controls should then be performed to ensure that they are operating as intended and that the controls are cost beneficial. In addition, school officials should become more involved in the approval process of its EDP systems to strengthen the internal control system. In a letter dated January 21, 1997, Brother David Sinitiere, Executive Director since July 1, 1996, stated that the school concurred with this finding, and that the Comptroller and the Director of Fiscal Affairs will attend training sessions and become more involved in these areas.

### **Movable Property**

For the seventh consecutive audit, the Louisiana School for Math, Science, and the Arts does not have adequate internal accounting controls over movable property and has not complied with movable property regulations. The school reported additions of \$78,438, deletions of \$14,217, and an ending balance of \$2,565,002 at June 30, 1996. A good internal control structure requires that adequate control procedures be in place to ensure that the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records and that amounts recorded in the financial statements are materially correct. Furthermore, Chapter 3, Section 307(A) provides that all items of movable property having an acquisition cost of \$250 or more must be placed on inventory. All acquisitions of qualified items must be tagged and all pertinent information must be reported to the Louisiana Property Assistance Agency (LPAA) within 45 days. Section 313(F)(11) requires the property manager to submit a Certification of Annual Property Inventory to LPAA after the physical inventory and the state master file listing has been reconciled. Our review revealed the following deficiencies:

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Management of the school has placed little emphasis on the creation of a good control environment. As a result, the financial resources of the school may be subjected to unnecessary risk. Furthermore, the school and/or its employees may be in violation of applicable laws and regulations.

The Board of Directors should take the steps necessary to require school officials to create an adequate control environment to include, but not limited to, formal policies and procedures addressing the issues noted previously. In a letter dated January 21, 1997, Brother David Sinitiere, Executive Director since July 1, 1996, stated that the school concurred with these findings and that the school has or will develop written policies and procedures relative to the areas noted previously.

### **Electronic Data Processing Controls**

For the second consecutive audit, the Louisiana School for Math, Science, and the Arts does not have adequate electronic data processing (EDP) controls over the Advanced Government Purchasing System (AGPS) or the Uniform Payroll System (OSUP). Good EDP controls are necessary to ensure the integrity of the systems and to provide reliance on the results produced by the systems. The following control deficiencies were identified:

- The school does not have written policies and procedures for validating that data submitted for on-line or batch processing was properly processed.
- The EDP security officer, who is the fiscal officer, prepares, enters, and approves documents for processing. The fiscal officer performs all of these functions with little or no supervision.
- Controls built into the system are not effective, since the fiscal officer performs all EDP functions without review or supervision from other employees.
- The fiscal officer makes all changes to the vendor master file and determines the validity of vendors. She also prepares and approves payments to vendors made through the AGPS.
- There is no on-line approval step added to the school's AGPS. On-line approval is ordinarily not in an agency's AGPS and must be established for each agency.

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**Advance Salary and Benefit Payments**

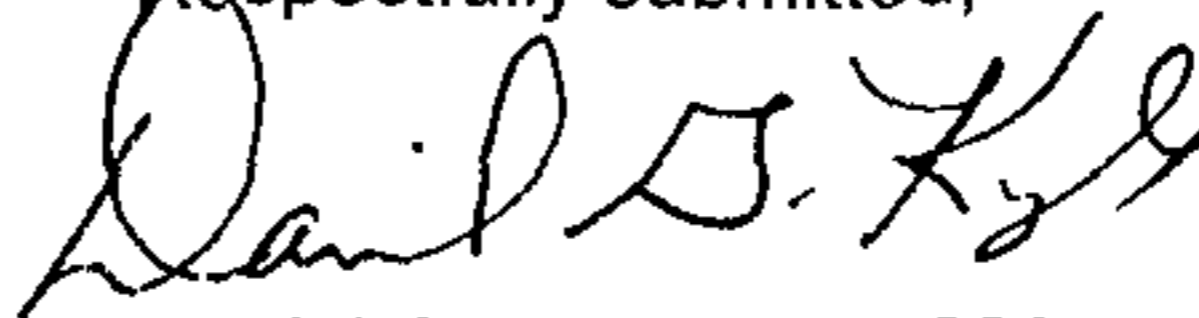
The Louisiana School for Math, Science, and the Arts made advance salary and related benefit payments to the faculty members of the Telelearning Center. Article VII, Section 14 of the Louisiana Constitution of 1974 prohibits any state agency from loaning, pledging, or donating public funds to any person, association, or corporation, public or private. Contracts for the Telelearning faculty were dated on July 1 of each year; however, the actual date for reporting to work was August 12, 1996, for fiscal year 1997 and August 14, 1995, for fiscal year 1996. The school paid 13 employees \$50,790 for three pay periods in fiscal year 1997 and 12 employees \$66,824 for four pay periods in fiscal year 1996 before services had been rendered to the school. Management's lack of emphasis and unfamiliarity with provisions of the constitution resulted in the school violating the constitution and placing public funds at risk.

The school should discontinue the practice of advance payments immediately and should develop internal control policies and procedures to ensure that all payments to employees are for work already performed. In a letter dated January 21, 1997, Brother David Sinitiere, Executive Director since July 1, 1996, stated that the school concurred with this finding and that no advance payments will be made in the future.

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

By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

WJR:MAN:dl

(LSMS&A)