

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana School for the Visually Impaired
Board of Elementary and
Secondary Education
Department of Education
State of Louisiana
Baton Rouge, Louisiana

August 4, 1999



Financial and Compliance Audit Division

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

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

**Representative Francis C. Thompson,
Acting Chairman and Vice Chairman**

**Senator Robert J. Barham
Senator Wilson E. Fields
Senator Thomas A. Greene
Senator Craig F. Romero
Representative F. Charles McMains, Jr.
Representative Edwin R. Murray
Representative Warren J. Triche, Jr.**

LEGISLATIVE AUDITOR

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

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twenty-one copies of this public document were produced at an approximate cost of \$28.77. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at www.la.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated July 9, 1999**

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.

August 4, 1999



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

July 9, 1999

LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF 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, 1999, we conducted certain procedures at the Louisiana School for the Visually Impaired. Our procedures included (1) a review of the school's internal controls; (2) tests of financial transactions for the years ending June 30, 1999, and June 30, 1998; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1999, and June 30, 1998; and (4) a review of compliance with the prior report recommendations.

The Annual Fiscal Reports of the Louisiana School for the Visually Impaired are not audited or reviewed by us, and, accordingly, we offer no form of assurance 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 an opinion.

Our procedures included interviews with management personnel and other selected school personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, and based on the application of the procedures referred to previously, we noted that the size of the school's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial. In addition, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the Louisiana School for the Visually Impaired for the two years ended June 30, 1997, we reported findings related to noncompliance with movable property regulations and a lack of adequate segregation of duties. These findings are addressed again in this report.

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

LEGISLATIVE AUDITOR

LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA

Management Letter, Dated July 9, 1999

Page 2

**Failure to Timely Update Movable
Property Records**

For the second consecutive year, the Louisiana School for the Visually Impaired did not maintain adequate controls over movable property and did not fully comply with the state's movable property laws and regulations. An adequate system of controls should ensure that all property is appropriately identified (tagged) and movable property inventory records are updated timely. In addition, Louisiana Administrative Code (LAC) 34:VII.307 requires that all acquisitions of qualified property be tagged and all pertinent inventory information be sent to the Louisiana Property Assistance Agency (LPAA) within 45 days after receipt of the property.

The following deficiencies in movable property records were noted:

- Seven items, totaling \$11,612, reported in the prior audit as not being tagged or added to the inventory were still not tagged as of March 29, 1999.
- Four of 24 items acquired during fiscal years 1998 and 1999, valued at \$16,781, were not tagged and added to the inventory until 71 to 79 days after receipt of the property.

These conditions exist because management has not established procedures to ensure that movable property acquired is tagged and that all pertinent information is sent to LPAA timely. Failure to maintain such controls increases the risk of loss arising from unauthorized use and subjects the school to noncompliance with state laws and regulations.

The Louisiana School for the Visually Impaired should establish procedures to ensure that all property is tagged and the required information is transmitted to LPAA as required by Louisiana law. Management of the school concurred, in part, with the findings and recommendation (see Appendix A, page 1).

LEGISLATIVE AUDITOR

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Management Letter, Dated July 9, 1999

Page 3

**Inadequate Controls Over Electronic
Data Processing**

The Louisiana School for the Visually Impaired has not maintained adequate internal controls over electronic data processing (EDP). Good internal controls require that adequate segregation of duties exist and that user access to EDP systems be removed when a user's employment terminates.

In a review of controls of the Advantage Financial System (AFS) and the Advanced Governmental Purchasing System (AGPS), the following deficiencies were observed:

- There was not a proper segregation of duties in AFS because the business manager has both entry and approval authority.
- Two former employees' access [user identification (ID) codes] to both AFS and AGPS has not been removed as of March 30, 1999. The former employees terminated employment in December 1995 and February 1999, respectively.

These conditions occurred because management of the school has not placed sufficient emphasis on segregating duties relating to electronic data processing and has not established written procedures pertaining to the maintenance of User IDs.

The Louisiana School for the Visually Impaired should segregate the duties of data entry and approval and should develop written procedures requiring the timely deletion of User IDs upon termination of an employee. Management of the school concurred, in part, with the findings and recommendations (see Appendix A, page 3).

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

LEGISLATIVE AUDITOR

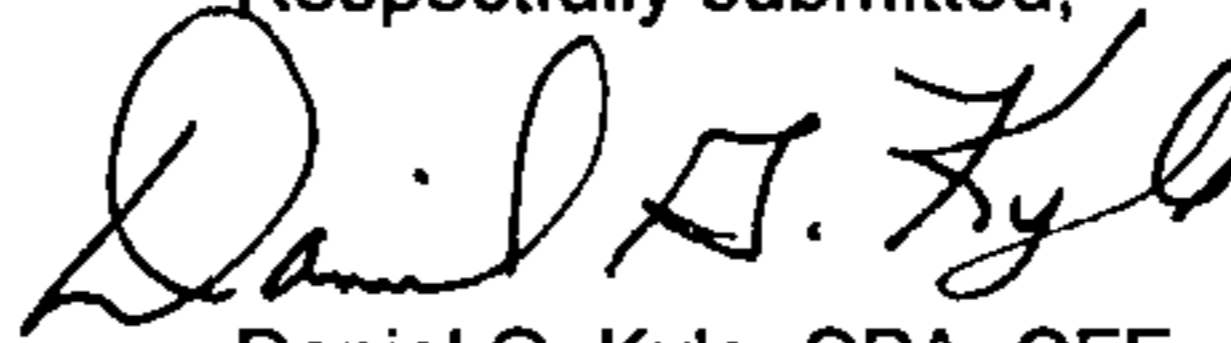
LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA

Management Letter, Dated July 9, 1999

Page 4

This report is intended for the information and use of the school 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

WAM:THC:RCL:ss

LSVI

Appendix A

Management's Response and Corrective Action Plan to the Findings and Recommendations



LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED

1120 GOVERNMENT STREET
BATON ROUGE, LOUISIANA
(504) 342-8694
FAX (504) 342-1885

Richard N. Day, Ed. D
Superintendent

Dr. Daniel G. Kyle, CPA, CFE
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Audit Finding – Failure to Timely Update Movable Property Records

For the second consecutive year, the Louisiana School for the Visually Impaired (LSVI) did not maintain adequate controls over movable property and did not fully comply with the state's movable property laws and regulations. An adequate system of controls should ensure that all property is appropriately identified (tagged) and movable property inventory records are updated timely. In addition, Louisiana Administrative Code (LAC) 34:VII.307 requires that all acquisitions of qualified property be tagged and all pertinent inventory information be sent to the Louisiana Property Assistance Agency (LPAA) within 45 days after receipt of the property.

Dear Dr. Kyle:

The above listed finding refers to two specific deficiencies as follows:

- 1) Seven items totaling \$11,612 reported in the prior audit as not being tagged or added to the inventory were still not tagged as of March 29, 1999.

I concur in part with this deficiency. While it is true that these items remained untagged, this agency was not given a listing of the individual pieces of equipment not tagged during time of prior audit. After last audit, the Business Manager made a concerted effort to tag all items not previously tagged by reconciling purchases coded to Acquisitions during the years audited against the Louisiana Property Assistance report. What escaped tagging during this process, however, were those items which were not coded to Acquisitions. Had we had a listing of equipment, all items would have been tagged during correction process.

Business Manager has requested a printout of those items still remaining untagged from auditor that performed current audit, and will receive same at time of exit interview. Upon receipt of list, all prior year items will be tagged immediately.

- 2) Four of 24 items acquired during fiscal years 1998 and 1999, valued at \$16,781, were not tagged and added to inventory until 71 to 79 days after receipt of the property.

I concur with this deficiency. During current audit period, agency had only a part-time Purchasing Agent. The procedure in place during the audit period was for Purchasing Agent to notify person assigned to property control (an aide assigned to perform property control duties part-time) when a taggable item was received. Due to the Purchasing Agent always being behind in her duties, either she was notifying the property control person of receipt of a taggable item too late for compliance, or not at all. In those cases, items needing to be tagged were not given to property control person until Business Manager reconciled Acquisitions purchases against Property Control reports. In most of these cases, the item was tagged

after the 45-day time period.

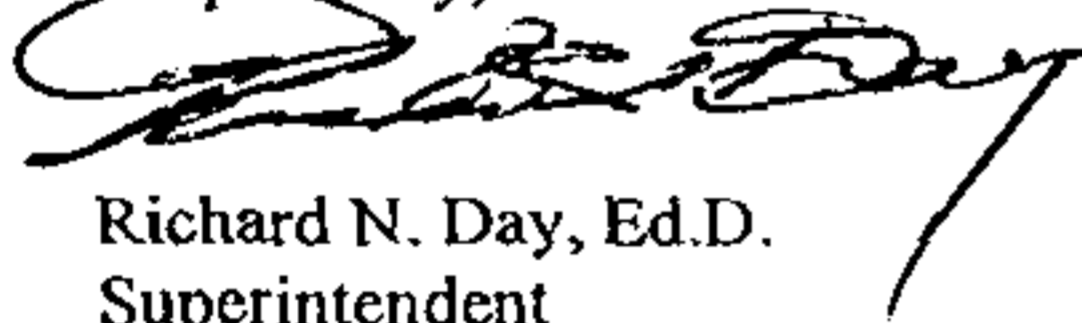
We have taken several steps to alleviate this deficiency. The first was to hire a full-time Purchasing Agent (January, 1999). He is working closely with the property control person to notify him upon receipt of a taggable item. Another problem we were experiencing was not receiving the signed delivery tickets back from the person for whom the equipment was purchased in a timely fashion, which created a delay in tagging the item because of the need for a delivery date. The new procedure has all goods received by the Purchasing Agent (we do not have an inventory person on staff). The person for whom the equipment was purchased must come to the Business Office and sign for the item. Only then will it be delivered to their respective area.

We have also hired a part-time clerk who, as part of their job duties, periodically pulls up GFS Acquisitions expenditures and reconciles them with property control person.

Although this system is not 100% foolproof, it has greatly improved our property control compliance procedures. If any property control compliance violations occur in future years, it will be the rare situation where one item was discovered not tagged on expenditure reconciliation and might violate the 45-day time limit.

If further information or clarification is needed, please advise.

Respectfully,



Richard N. Day, Ed.D.
Superintendent

7/9/99

RND:gkt



LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED

1120 GOVERNMENT STREET
BATON ROUGE, LOUISIANA
(504) 342-8694
FAX (504) 342-1885

Richard N. Day, Ed. D
Superintendent

Dr. Daniel G. Kyle, CPA, CFE
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Audit Finding – Inadequate Controls Over Electronic Data Processing

The Louisiana School for the Visually Impaired has not maintained adequate internal controls over electronic data processing (EDP). Good internal controls require that adequate segregation of duties exist and that user access to EDP systems be removed when a user's employment terminates.

Dear Dr. Kyle:

The above listed finding refers to two specific deficiencies as follows:

- 1) There was not a proper segregation of duties in AFS because the Business Manager has both entry and approval authority.

I concur in part with this deficiency. LSVI is a small agency where the Business Manager also functions as the Accountant and Agency Fiscal Officer. She has, at times in excess of a year, also assumed the duties of Purchasing Agent. During the audit period, we had only a part-time Purchasing Agent, and no accountant, account clerks, etc.

Although I realize that, when possible, there needs to be a separation of these functions, such separation is often not possible at this agency due to lack of staff.

A full-time Purchasing Agent was hired in January, 1999. The job duties of that position include assisting the Business Manager in processing payables as time permits. When the Purchasing Agent does not have extra time, however, the function of processing payables falls again to the Business Manager (both entry and approval).

An accounting specialist position has been requested annually in our Budget Request Document as a workload adjustment for over five years. Our request for this additional position has not been granted to date.

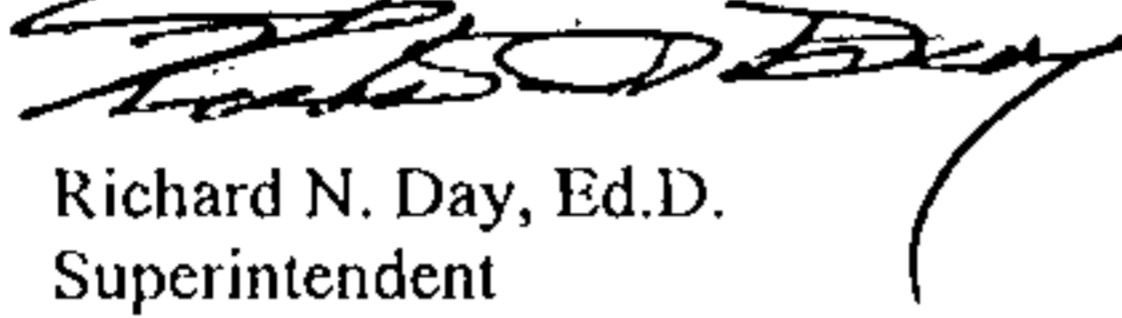
- 2) Two former employees' access (userid) to both AFS and AGPS has not been removed as of March 30, 1999. The former employees terminated employment in December, 1995 and February, 1999.

I concur with this deficiency. The Business Manager functions as both the ISIS Agency Liaison and the ISIS Security Administrator. In the capacity of Security Administrator, she should have cancelled the userids. Due to the newness of the AFS/AGPS systems, however, she did not process the cancellation documents. She did, however, cancel both former employees' userids after being made aware of the need to do so.

The Business Manager has been instructed to develop written procedures regarding all aspects of the use of the AFS/AGPS systems, including security concerns. Those procedures will be incorporated into our Policies and Procedures Manual. Time frame for completion is estimated to be end of calendar year 1999 (after completion of agency's annual financial statements and agency's budget request documents.)

If further clarification or information is needed, please advise.

Respectfully,



Richard N. Day, Ed.D.
Superintendent

7/9/99

RND:gkt