

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Education  
State of Louisiana  
Baton Rouge, Louisiana

March 24, 1997



***Financial and Compliance Audit Division***

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

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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 cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

JGG:THC:dl

[DOE]

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**Untimely Bank Reconciliations**

DOE failed to reconcile four bank accounts timely. Good internal controls require reconciliation of all bank accounts timely, preferably at the time monthly bank statements are received. Bank reconciliations provide management with a basis to ensure that all transactions that affect both the bank account and books are in agreement and no errors or irregularities have occurred.

Our auditing procedures for the first ten months (July 1995 through April 1996) disclosed that the last reconciliation performed for these bank accounts were as follows: Job Training Partnership Act (CFDA 17.250), January 1996; Federal Pell Grant Program (CFDA 84.063), June 1995; Teacher Certification program, September 1995; and the travel imprest account, August 1995. During this period, the four bank accounts' receipts and disbursements totaled \$7,947,280 and \$7,991,256, respectively. Employee turnover within the Fiscal Office contributed to the bank accounts not being reconciled timely. Failure to reconcile bank accounts timely could lead to the misappropriation of state and federal funds.

DOE should reconcile all bank accounts monthly. In addition, the department should implement procedures to balance the travel account to the amount advanced from the State Treasurer's Office. Management of the department concurred with the finding and recommendations.

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

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that the Bureau of Accounting Revenue Supervisor will verify future financial data reports prepared by unit staff members before those reports are submitted for signature.

**Inadequate Uniform Payroll System Controls**

DOE did not ensure that all of its timekeeping units complied with existing internal control procedures over payroll transactions input into the Uniform Payroll System (UPS). *Good internal controls include an adequate segregation of duties and a review of transactions to ensure that data is accurate and reliable and to ensure that errors and irregularities are detected within a timely period. Departmental regulations assign the bureau directors the responsibility for certifying the accuracy and completeness of time and attendance records.* In our test of five timekeeping units with a total of 91 employees, we noted the following exceptions:

- Three of five bureau directors did not certify time and attendance sheets for their timekeeping unit.
- Four of five units had no indication that time and attendance data input into UPS was compared to time and attendance sheets for accuracy.
- Eight employees did not sign or initial their time and attendance sheets.
- Nine employees did not have time of arrival or departure indicated on their time and attendance sheets.
- Seven employees did not have leave slips to support leave taken.
- One employee had sick leave entered as annual leave.
- Five employees had time and attendance records that did not agree to the hours worked or the leave taken on the Fixed Time Entry Listing and Leave Register.

Management should ensure that the bureau directors perform an adequate and complete review of all time and attendance records before approval. Furthermore, the bureau directors should determine that someone other than the timekeeper verifies that payroll transactions are correctly input into UPS. Management of the department concurred with the finding and recommendations.

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percentage of students from low income families or based on the percentage of students from low income families for schools at or above the 75 percent low income families level and on grade span below the 75 percent level.

The Title I Administrator within the department approved these local school districts' applications because the districts provided reasons for the noted funding exceptions. However, the local school districts did not obtain waivers from the U.S. Department of Education for these exceptions as required by U.S. Public Law 103-382 Section 14401(a). As a result of these exceptions, Title I Grants to Local Educational Agencies program funds were not distributed to schools based on rank ordering.

DOE should implement controls in its review of Title I Grants to Local Educational Agencies program applications to ensure the local school districts comply with applicable program regulations. In a letter dated December 24, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and indicated that procedures are now in place that should preclude this kind of occurrence in the future.

**Submission of Inaccurate Federal Financial Reports**

DOE did not ensure that accurate and complete information was reported on the Federal Cash Transactions Reports (Standard Form 272) submitted monthly to the U.S. Department of Education. This report is required by the OMB *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Common Rule) and is used by federal agencies to monitor cash advances to grantees and to obtain disbursement or outlay information for each grant from the grantees. Our tests disclosed the following:

- Expenditures were understated by \$2,240 on each of the monthly reports for the period July 1995 through April 1996 for the Special Education - Grants to States (CFDA 84.027) program.
- Expenditures were understated by \$520,076 on each of the monthly reports for the period February 1996 through April 1996 for the Title 1 Grants to Local Educational Agencies (CFDA 84.010) program.

These inaccuracies were the result of mathematical and reconciliation errors that were not detected timely. DOE should establish procedures to ensure that all reports required by federal grantors contain accurate and complete information. In a letter dated November 4, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, stated that the department concurred with the finding, and



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is due October 1, 1995. The Louisiana School for the Deaf prepared and submitted to DOE an "Interagency Billing" dated September 27, 1995, for the \$122,000 transfer of funds. However, the actual transfer was not made until January 1996. As a result of this advance payment, the state could incur an interest liability for drawing federal funds in excess of immediate cash needs.

DOE should strengthen its internal controls over lease payments to ensure that payments are made only for services rendered. In addition, the department should establish procedures to include the review of contractual agreements to determine compliance with applicable state and federal laws. In a letter dated November 15, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, stated that the department concurred with the finding and that the advance lease payments will no longer be made. In addition, the Office of Special Educational Services is establishing procedures related to the review of contracts to ensure compliance with applicable state and federal laws and regulations.

#### **Title I Funds Improperly Distributed to Public Schools**

DOE did not maintain adequate controls over the review of subrecipient Title I Grants to Local Educational Agencies (LEA) (CFDA 84.010) program applications to ensure available funds were properly distributed among local public schools. The Elementary and Secondary Education Act of 1965 as amended by the Improving America's Schools Act of 1994 (U.S. Public Law 103-382) provides that available funds be distributed to schools within a local school district based on rank ordering of schools. Our review of 20 LEA applications revealed the following:

- One school in Claiborne Parish, approved for a schoolwide plan, did not meet the requirement that 60 percent of students enrolled must be from low income families. U.S. Public Law 103-382 Section 1114(a) requires that schools approved for a schoolwide program for the 1995-96 school year serve a student enrollment with not less than 60 percent students from low income families.
- One school in Franklin Parish with over 75 percent students from low income families was not funded; however, four schools with under 75 percent were funded. U.S. Public Law 103-382 Section 1113(a)(3) requires the funding of schools that have above 75 percent of students from low income families before schools below 75 percent are funded.
- Two schools funded in Lafayette Parish were not next in line in the rank order list of schools to receive funding. U.S. Public Law 103-382 Section 1113(a)(3) requires the funding of schools in rank order based on the

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**Time Distribution Records Not Maintained  
for Federal Grant Programs**

DOE does not require employees to maintain time distribution records to support amounts charged to federal grant programs for personal services. Our examination disclosed that during the fiscal year ended June 30, 1996, personal services for 88 employees were allocated between federal grants and state programs based on budgets or estimates. We estimated that of \$3,847,972 of personal services for these employees, \$2,484,587 was allocated to 17 federal grants and \$1,363,385 was allocated to state programs.

OMB Circular A-87 requires that personal services charged to grant programs be supported by time and attendance or equivalent records for individual employees. Because the department did not implement adequate procedures to determine the actual time and effort expended on individual grant programs, the amount of administrative costs charged to a federal program may not be equivalent to the time and salaries expended.

DOE should develop appropriate time distribution records to support amounts charged to grant programs for personal services. In a letter dated December 12, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and has required the use of specific reports and certifications to properly support amounts charged to grant programs for personal services.

**Lease Payment Advanced Improperly**

DOE violated state law by paying the entire annual lease payment in the amount of \$122,000 prior to services being rendered under the Special Education - Grants to States (CFDA 84.027) program. Article 7, Section 14(A) of the Louisiana Constitution of 1974 states in part that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. Further, the Code of Federal Regulations [31 CFR 205.7(d)] states that a state and a federal agency shall limit the amount of funds transferred to a state to the minimum required to meet a state's actual, immediate cash needs.

DOE entered into a cooperative interagency agreement with the Louisiana School for the Deaf to provide office space for employees of the Office of Special Education Services for the period October 1, 1995, through September 30, 1996. The agreement required that payment be made upon the receipt of any annual invoice and that payment



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DOE should adhere to and revise its system of review and approval for all long-distance telephone expenditures to ensure that the telephone charges are proper and that any errors or irregularities can be detected in a timely manner. The department concurred with the finding. The employee has reimbursed the department and the department is revising its policy for long-distance telephone calls.

**Unreported Bank Accounts**

DOE did not report certain funds held in the custody of its employees on its June 30, 1996, financial statements. In addition, these accounts were not approved by the Cash Management Review Board. LSA-R.S. 39:79 provides that all state agencies and component reporting units shall furnish to the Commissioner of Administration, within 45 days of the fiscal year-end close, a sworn statement of all monies received and from what sources, all monies expended and for what purposes, all revenues due and not collected, and all obligations incurred and not paid. In addition, LSA-R.S. 39:371(A)(1) requires that all banking and checking accounts opened or to be opened by state agencies must have the approval of the Cash Management Review Board in writing.

Based on our inquiry, the offices of Academic Programs, Special Education, and Vocational Education disclosed the existence of 11 demand deposits and 3 savings accounts with balances totaling \$516,709 at June 30, 1996. In addition, the department is aware of one other bank account handled by an employee of the department but has not been able to obtain the necessary information to report an amount. These accounts are for statewide student organizations and nonprofit organizations that the department employees maintain as the custodian or fiscal agent. Although the department's Office of Management and Finance knew of the existence of these accounts, it failed to ensure the accounts were disclosed in the department's annual fiscal report, which indicates a weakness in the department's internal control structure. By not reporting these amounts and by not having these accounts properly approved, the risk exists that the accounts will not be properly monitored by the department and that the state will be required to assume liability for errors and/or irregularities occurring in these accounts.

DOE should account for, monitor, and report all bank accounts that any of its employees maintain, in accordance with state laws and regulations and generally accepted accounting principles. The department concurred with the finding and will develop procedures to ensure all bank accounts are properly reported in the future.

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Because DOE failed to implement adequate controls for this conference, there is incomplete documentation and limited accountability for transactions. Further, the department has disbursed federal funds that do not comply with department policy and state and federal regulations. As a result, we question \$5,681 of federally funded expenditures from the following federal programs:

- Title I Grants to Local Educational Agencies (CFDA 84.010) \$5,649
- Education for Homeless Children and Youth (CFDA 84.196) \$24
- State School Program Improvements Grants (CFDA 84.218) \$8

DOE should implement controls for all departmentally sponsored conferences to provide accountability and control over program income and to ensure that transactions are in compliance with applicable state and federal laws and regulations and departmental policies. The department should consult with the U.S. Department of Education concerning the resolution of questioned costs reported in this finding. In a letter dated December 23, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and outlined a plan of corrective action.

**Unauthorized Long-Distance Telephone Calls**

DOE has not ensured that all telephone charges within the Bureau of Veterans Education are authorized and accurate before payment. These charges were funded by a fixed price contract with the U.S. Department of Veterans Affairs. During our examination, we detected what appeared to be questionable out-of-state long-distance telephone charges. This information was forwarded to the Bureau of Internal Audit, which conducted a review of the bureau's telephone bills for the period July 1993 through May 1996 and determined that Mr. Fred Z. Shirley, Bureau Administrator, incurred personal long-distance telephone charges of \$607.21 for 5,934 minutes of calls charged to his telephone. The department was reimbursed the \$607.21 with a cashier's check dated August 28, 1996.

This employee's use of the telephone for personal long-distance calls may have violated LSA-R.S. 42:1461, which relates to breach of obligation by an employee of any public entity. These undetected calls resulted because the department failed to enforce compliance with its policy that requires out-of-state long-distance calls be logged and reviewed before payment.

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income and expenses for the conference were both under-reported by \$500 because this cash was not deposited intact but instead was used to pay for the three-piece band, mentioned previously.

- Because of inadequate planning, the department incurred cost for approximately 120 more meals than needed for a luncheon on November 15, 1995. The excessive meals cost approximately \$2,190. The department granted approval to schedule the conference on August 8, 1995, but did not mail final notifications for the conference until October 30, 1995, resulting in excessive meals being scheduled.
- Eleven DOE employees, who were reimbursed for the conference registration fee, were also reimbursed a total of \$88 (\$8 each) with federal funds for the luncheon held on November 15, 1995. State Travel Regulations (PPM 49) prohibit reimbursement for any lodging and/or meals furnished by another party at no cost to the traveler. The cost of the luncheon was included in the registration fee.
- Eleven DOE employees, who were reimbursed \$176 (\$16 each for a dinner meal) with federal funds, did not document on their travel claims the reason(s) for their late departure from the conference. The program agenda indicates the last conference session on November 16, 1995, was to be followed by a staff meeting of Title I employees from 11:00 a.m. to noon. However, nine employees reimbursed the November 16, 1995, dinner meal have travel claims that show arrival times in Baton Rouge, a one hour drive, of 8:15 p.m. or later. The travel claim of the tenth employee reimbursed for the November 16 dinner meal has no arrival time shown. The travel claim for the eleventh employee, the Title I Administrator, indicates he was also reimbursed for the dinner meal on November 17. However, his travel claim provides no justification for an additional overnight stay in New Orleans or an arrival time in Baton Rouge of 8:30 p.m. on November 17.
- Fourteen DOE Title I employees from Baton Rouge attended the conference but did not carpool. PPM 49 requires the use of the most cost-effective method of transportation that will accomplish the purpose of the travel. These employees were reimbursed a total of \$1,237 for mileage and \$420 for parking. A portion of these mileage and parking expenses could have been avoided if some of these employees had been required to carpool; however, we could not determine questioned costs.



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DOE should establish controls to ensure that professional contractors have complied with contractual provisions. The department also should establish written policies and procedures to address allowing an employee to perform job duties at home and the supervisor's approval of that work. These policies and procedures should require prior written authorization from an appropriate level of management and documentation supporting the employee's ability to fully perform the duties as required in the employee's job description. Finally, the department should also consult with the U.S. Department of Education concerning the questioned costs previously described. In a letter dated February 4, 1997, Ms. Marilyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and stated, "Due to the complexity of some issues raised in the finding, the Office of Special Educational Services and Bureau of Internal Audit are currently researching and investigating these matters. The Department will inform your representatives of the results of the investigation."

**Unallowable Costs for Title I Sponsored Conference**

DOE did not maintain adequate controls over a departmentally sponsored conference to ensure the proper recording and accountability of transactions and to ensure that transactions were in compliance with applicable state and federal regulations. The Bureau of Improving America's Schools Act Title I hosted a conference in New Orleans on November 14-16, 1995. Conference expenses were paid with Title I Grants to Local Educational Agencies (CFDA 84.010) program income derived from registration fees. Travel expenditures for departmental employees attending the conference were reimbursed from federal programs including the Title I Grants to Local Educational Agencies (CFDA 84.010), Education for Homeless Children and Youth (CFDA 84.196), and State Improvement Grants (CFDA 84.218). Our review of transactions for this conference disclosed the following:

- DOE paid \$3,227 from Title I program income (registration fees) for entertainment, an expense not allowable under federal cost principles. The department held a reception on the evening of November 15, 1995. The \$3,227 total cost for the reception included \$1,500 for room rental, \$1,227 for food, and \$500 for a three-piece band. In addition, the contract for the band, which was signed by a Title I program manager, violates the Louisiana Administrative Code, which requires the head of the using agency or his designee to sign all contracts for personal, professional, consulting or social services.
- DOE did not maintain adequate controls for \$500 cash received from registration fees (\$50 from each of 10 department employees). Program

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- DOE could not provide the contractor's progress reports to support payments of \$3,125 for 18 days billed for the period from September 15, 1994, to October 12, 1994, and \$3,472 for 20 days billed for the period from July 13, 1995, to August 9, 1995.
- \$868 was paid to the contractor for five holidays that progress reports indicate no work was performed.
- \$1,042 was paid for an additional six days that progress reports show the contractor took off for various reasons, but "maintained office phones through answer machine" or "manage office/phone."
- \$347 was paid for two days that progress reports only show "manage office/phone."
- \$521 was paid for three days on which progress reports show the contractor was "sick" or the contractor was "sick and manage office/phone."

The Executive Assistant was subsequently hired by the department beginning December 1, 1995, but was allowed to continue working at home until June 3, 1996. The \$20,857 salary paid during this period was funded one-half from the federal program and one-half from state General Fund monies. Our review of time and attendance records during this employment period disclosed the following:

- Sixty-eight days during the period (\$11,211) were included on time and attendance sheets approved by the Vice Chairperson of the State Interagency Coordinating Council, an individual who is not employed by DOE.
- Sixty days during the period were included on time and attendance sheets approved by the former Superintendent of Education. However, no prior written approval to work at home was provided, which would include documentation that the employee would be effective in performing her required duties at home.

DOE's failure to adequately monitor and enforce contract provisions for the Executive Assistant, as well as the failure to obtain departmental approval of time worked at home, may result in excess payments to the individual and may result in noncompliance with federal regulations and Louisiana law. As a result, we question \$14,981 of federally funded expenditures. In addition, the use of \$5,605 of state funds appears to be in violation of state laws and regulations.



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DOE did not adequately address findings, including disallowed costs, internal control comments, and noncompliance with laws and regulations with the subrecipient agencies. In addition, the department has not ensured that qualified employees review audit reports for compliance with OMB Circular A-128. If the department does not take appropriate corrective action, it cannot ensure that the subrecipient has expended program funds in accordance with applicable laws and regulations.

DOE should provide training to its employees for subrecipient monitoring, including audit resolution, to ensure that subrecipients of federal flow through funds have taken appropriate corrective action within six months after receiving audit reports. Management of the department concurred with the finding and recommendation.

**Inadequate Monitoring of Professional Contract**

DOE did not establish adequate controls to ensure compliance with the department's written contract monitoring plan and did not ensure that a professional contractor complied with contract provisions. In addition, after hiring the contractor as an employee of the department, DOE did not adequately monitor this employee's time and attendance during a six-month period that she was allowed to work at home. LSA-R.S. 39:1497(4) requires that agencies certify to the Office of Contractual Review that they have developed and intend to implement a written plan for contract monitoring. Article 7, Section 14 of the Louisiana Constitution of 1974 prohibits state agencies from loaning, pledging, or donating public funds to any person, association, or corporation, public and private. OMB Circular A-87, paragraph A(2)(a), provides that the state government is responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices. Civil Service Rule 15.2 requires the employee and the appointing authority to certify the actual rendering of service and number of hours of attendance on duty and absence from duty.

DOE signed two one-year contracts for an Executive Assistant to the State Interagency Coordinating Council, a position that helps provide early intervention services for disabled infants and toddlers and their families. These contracts ran for the periods from December 1, 1993, to November 30, 1994, and December 1, 1994, to November 30, 1995, and were funded by the Special Education - Grants for Infants and Families with Disabilities (CFDA 84.181) program. The contracts for the Executive Assistant provided for a payment of \$173.60 per day for 240 days or \$41,664 per year. While the department did develop a written plan for monitoring contracts, based on a review of progress reports submitted by the contractor to support contract billings, we noted the following instances of failure to adequately monitor these contracts:

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numbers that account for the grants administered by the department. The department's failure to comply with the requirements of the CMIA agreement has subjected the state to the potential interest liability of \$11,096. In addition, the state could incur interest liabilities on drawdowns that are not reported correctly for the Child Care and Development Block Grant.

DOE should establish procedures to ensure that federal funds are drawn in compliance with the CMIA agreement. Management of the department concurred with the finding and recommendation.

**Inadequate Audit Resolution**

For the second consecutive year, DOE has not ensured that subrecipients of federal flow through funds have taken appropriate corrective action within six months after receiving audit reports, as required by Office of Management and Budget (OMB) Circular A-128. Our review of the action taken by the department to resolve findings in audit reports disclosed the following for Title 1 Grants to Local Educational Agencies (CFDA 84.010):

- The department's program personnel closed an audit finding reported in a parish school board audit, by stating that interest mentioned in the finding was an allowable expense. However, the finding involved interest revenue earned on federal funds and not interest expense. The department's program personnel were unable to provide evidence on the resolution of the \$2,377 in interest revenue.
- A parish school board audit report for the year ended June 30, 1994, disclosed problems with the subrecipient's computer software that determines student eligibility to participate in the federal program. The department's program personnel closed this finding based on the subrecipient's response, as contained in the audit report, which indicated that the problems with the computer software had been corrected. However, this finding was repeated in the school board's subsequent audit for the year ended June 30, 1995.
- A parish school board audit report disclosed that the school board had not maintained the required level of fiscal effort for the prior fiscal year. The department's program personnel closed this finding based on the school board's explanation of the reasons for noncompliance. However, there is no evidence that the department either formally waived this requirement or decreased the school board's program allotment in a subsequent year as required by program regulations.

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- . 22 of 31 state funded subrecipients received a total of \$23,126 in advances with individual advances ranging from \$331 to \$3,305.
- . In a subsample of 10 subrecipients, we determined that advances were for a period of three to seven months.

Article 7, Section 14 of the Louisiana Constitution of 1974 prohibits state agencies from loaning, pledging, or donating public funds to any person, association, or corporation, public and private. The Code of Federal Regulations [45 CFR 98.60(e)] require that cash advances to subrecipients be limited to the minimum amounts needed and be timed to provide for actual, immediate cash requirements of the subrecipient in carrying out the purposes of the program. During fiscal year 1996, the Child Care and Development Block Grant was included in the Cash Management Improvement Act (CMIA) agreement with the U.S. Treasury and was subject to certain record keeping requirements. Advance payments from federal funds can result in an interest liability to the federal government; however, departmental records were not adequate to estimate the potential interest liability in accordance with the CMIA agreement. Advance payments from state funds can result in lost interest earnings for the state.

DOE did not comply with certain federal and state laws and regulations and the interagency agreement with DSS because management failed to exercise adequate oversight of the Church-Based Tutorial Program. As a result, we question \$40,001 of federally funded expenditures, and, in addition, the use of \$569,785 of state funds appears to be in violation of state laws, regulations, and/or contract provisions. Also, the federal expenditures relating to Student Eligibility and Advances to Participants totaling \$172,274 involve questioned costs that cannot be determined because of the inadequacy of either participant or departmental records.

Management of DOE should properly administer the Church-Based Tutorial Program and adhere to all state and federal laws and regulations. In addition, the department should create a grant administration section that will ensure the department's compliance with all laws and regulations relating to federal grants and contracts. The department should consult with the U.S. Department of Health and Human Services and DSS concerning the resolution of questioned costs determined in this finding. In a letter dated December 23, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and recommendations and outlined corrective action to be taken.



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things of value of the state shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

#### **Student Eligibility**

DOE has failed to verify the eligibility criteria of students participating in federally funded tutorial programs. Eligibility guidelines ensure that a program is being offered to the population of students identified in the objectives of the program. The Code of Federal Regulations (45 CFR Part 98.20) states that to be eligible for services a child must be under 13 years of age and reside with a family whose income does not exceed 75 percent of the state's median income for a family of the same size and reside with a parent or parents who are working or attending a job training or educational program. Our tests of the records of 65 students at four federally funded tutoring sites disclosed the following:

- 65 students' family income and size was not obtained.
- 18 students did not meet the age requirement, or age information was not obtained.
- 57 students' parents either did not meet the work or student requirement, or this information was not obtained.

During our audit period, a total of \$84,048 of federal funds was expended by these participants; however, because of the inadequacy of the participants' records, we could not determine whether the students we tested participated during our audit period or in prior periods.

*In addition to the tests performed as described previously, we tested 124 participants in the 5-Day After School Tutorial Program and determined the following:*

#### **Advances to Participants**

- Subrecipient contracts for the 5-Day After School Tutorial Program included provisions for advance payments at the start of the program in October with no repayment due until the last month of the eight-month program.
- 91 of 93 federally funded subrecipients received a total of \$88,226 in advances with individual advances ranging from \$251 to \$994.

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and \$40,001 of state and federal funds, respectively, were expended to purchase multi-cultural libraries.

LSA-R.S. 39:1597 provides that a contract may be awarded for a required supply, service, or major repair without competition only when the chief procurement officer or his designee above the level of procurement officer determines in writing that there is only one source for the required supply, service, or major repair item. In addition, LSA-R.S. 39:1652 states that the chief procurement officer shall prepare, issue, revise, and monitor the use of specifications for the required supplies, services, and major repairs.

**Licensing and Registration**

DOE has not verified that federally funded tutoring sites complied with applicable licensing and regulatory requirements. The Code of Federal Regulations (45 CFR Part 98.40) requires that all providers of child care services for which assistance is provided under the Child Care and Development Block Grant must comply with any licensing or regulatory requirements under state and local laws. The regulations further state that providers that are not required to be licensed or regulated under state and local laws are required to be registered with the grantee prior to any payments being made under the Child Care and Development Block Grant. Also, DOE has not developed licensing and regulatory requirements for the state funded tutoring sites. Based on information provided by DSS, only 20 of the 170 churches and referral centers participating in the state and/or federally funded programs were licensed and none were registered. To ensure the health, welfare, and safety of the children tutored, it is imperative that all providers of tutorial services comply with state and federal laws and regulations.

**Movable Property**

DOE violated state movable property regulations and the Louisiana Constitution of 1974 when it allowed surplus movable property items to be transferred from the department to one of the churches. Our site visit disclosed that seven movable property items, with acquisition costs of approximately \$15,000, had been transferred from the department to the church. Property regulations require that no property of any agency shall be sold, transferred, assigned, or entrusted to any person, legal entity, other agency, or any officer or employee of any agency without the written consent of the Commissioner of Administration through an approved State Property Transaction Form BF-11. In addition, Article 7, Section 14 of the 1974 Louisiana Constitution states that property or



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**Inadequate Administration of the  
Church-Based Tutorial Program**

For the second consecutive year, the Department of Education (DOE) did not comply with certain laws, regulations, and contract provisions that regulate the Child Care and Development Block Grant (CFDA 93.575). DOE obtained these funds from the U.S. Department of Health and Human Services through an interagency agreement with the Louisiana Department of Social Services (DSS) covering the fiscal year ended June 30, 1996. DOE then distributed these funds and state General Fund monies to churches and referral centers contracted to operate tutorial programs. During the year, DOE expended \$2,205,758 and \$995,147 of state and federal monies, respectively, through the Church-Based Tutorial Program.

Our audit of program records and visits to 10 tutoring sites disclosed the following instances of noncompliance:

**Alternative Schools**

DOE continued to fund four tutoring sites as church-based tutorial programs after the Board of Elementary and Secondary Education (BESE) approved these sites as nonpublic alternative schools. These sites should not have received Church-Based funding after approval as alternative schools but instead should have received nonpublic school funding determined in accordance with Louisiana Revised Statute (LSA-R.S.) 17:361. The state funds expended for these four tutoring sites totaled \$425,123 for the year.

**Sole Source Procurements**

DOE required three tutoring sites to each purchase an Interactive Television System from a specific vendor. These purchases were made without competitive bidding and specifications and were not prepared or issued by the department's chief procurement officer as required by state law. The purchase of interactive television systems by three tutorial programs were subject to state procurement regulations because the Program Section Administrator required the participants to make these purchases. A total of \$50,535 of state funds was expended to purchase the three systems without documentation that the vendor was the sole source.

Tutorial programs were also directed by the Program Section Administrator to purchase multi-cultural libraries from one of two vendors. These purchases were made without competitive bidding as required by state law. A total of \$56,001

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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.

**March 24, 1997**