

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

July 14, 1999



***Financial and Compliance Audit Division***

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***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 June 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.

July 14, 1999



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

OFFICE OF  
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June 9, 1999

**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, 1999, we conducted certain procedures at the Board of Elementary and Secondary Education. Our procedures included (1) a review of the board'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 prior year report recommendations.

The Annual Fiscal Reports of the Board of Elementary and Secondary Education are not audited or reviewed by us, and, accordingly, we offer no form of assurance on those reports. 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 other selected board personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

In our prior report on the Board of Elementary and Secondary Education, for the two years ending June 30, 1997, we reported two findings relating to improper payroll records and expenditures for a federal grant program and inadequate internal controls over leases. Management resolved the payroll records finding, but has not resolved the inadequate internal controls over leases finding.

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

**Inadequate Internal Controls Over Leases**

For the second consecutive audit, the Board of Elementary and Secondary Education (BESE) did not have adequate internal control over leases with outside entities. BESE's lease records were not current or complete, and BESE did not track facility leases. Louisiana Revised Statute (R.S.) 17:6(A)(6) gives BESE 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. R.S. 41:1211-1294, pertaining to the lease of public land, requires the lessor to retain a

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### BOARD OF ELEMENTARY AND SECONDARY EDUCATION STATE OF LOUISIANA

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copy of the lease and to exercise supervision of leases to ensure compliance with the lease terms and stipulations.

During our audit, we identified certain leases that exist for mineral rights and buildings, but since BESE did not maintain current lease records or track lease activity, we could not determine if all existing leases are identified and monitored. BESE could not determine whether any rents or royalties were due but unpaid, whether the commissioner of administration had properly approved the leases according to state law, or whether rental amounts and lessee insurance coverage were adequate.

Without current and complete property records, BESE cannot ensure that all leases are in compliance with state laws and that all income due from leases is paid to the state. BESE should prepare an inventory of all state property for which it is responsible, determine all leases in which it is named as lessor, and maintain current and complete property files. BESE should also ensure that all leases are approved by the commissioner of administration as required by state law and should monitor compliance with the terms and conditions of the leases. The executive director concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the board. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the board should be considered in reaching decisions on courses of action. This finding relating to the board's compliance with applicable laws and regulations should be addressed immediately by management.

#### **Other Reports**

On January 13, 1999, the Office of Legislative Auditor issued a management letter dated December 17, 1998, on the state Department of Education. Because of the statutory and functional relationship between BESE and the state Department of Education, the findings in that management letter should also be reviewed in their context to BESE.

A copy of the state Department of Education's management letter is available for public inspection at the Office of Legislative Auditor, 1600 North Third Street, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397, telephone (225) 339-3800, and on the Internet at [www.la.state.la.us](http://www.la.state.la.us).

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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

BEG:MWB:PEP:dl

[BESE]

## Appendix A

### Management's Corrective Action Plan and Response to the Finding and Recommendation



STATE OF LOUISIANA  
BOARD OF ELEMENTARY AND SECONDARY EDUCATION

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April 26, 1999

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

This correspondence serves as an official response to the reportable audit finding for the State Board of Elementary and Secondary Education. The finding, "Inadequate Internal Controls Over Leases," concerns the Board's authority to lease land or property belonging to it or any vocational technical school under its jurisdiction.

Although corrective actions have been implemented for this finding since it was last reported, this agency concurs with the finding and the auditor's recommendation. Unfortunately the legislative/ finance staff person charged with correcting this finding resigned his position with the Board Office to take a position with the Legislative Fiscal Office before corrective actions could be completed.

The following corrective actions have been taken to date since this finding was first noted:

- ◆ Files in the BESE Office have been consolidated and categorized.
- ◆ Board staff met with staff of the State Land Office to review proper procedures for maintaining property records.
- ◆ Board staff has requested input and oversight from the Attorney General's Office in subsequent lease arrangements.
- ◆ Board staff is working with the State Department of Education, Division of Administration, and the new Louisiana Community and Technical College System staffs to properly identify all property and leases associated with the technical colleges scheduled to be transferred to the new board effective July 1, 1999.

I have designated Mr. Gary Wheat and Mr. Brad Smith in the BESE Office as the interim contact persons for overseeing corrective action and recommending procedures to avoid this type of finding in the future.

Thank you for the professional courtesies extended by your staff.

Sincerely,

Weegie Peabody  
Executive Director

c: Glenny Lee Buquet

WP:cm