

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Special Education Center
Board of Elementary and Secondary Education
Department of Education
State of Louisiana
Alexandria, Louisiana

May 28, 1997

OFFICE
FILE COPY
DO NOT SEND OUT
Without necessary
approval from the
Supt. and PRINC
MAY 29 1997



Financial and Compliance Audit Division

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

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Representative Francis C. Thompson, Chairman
Senator Ronald C. Bean, 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.
Representative David Vitter

LEGISLATIVE AUDITOR

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

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

**LOUISIANA SPECIAL EDUCATION CENTER
BOARD OF ELEMENTARY AND SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Alexandria, Louisiana**

**Management Letter
Dated April 9, 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 28, 1997



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

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

April 9, 1997

**LOUISIANA SPECIAL EDUCATION CENTER
BOARD OF ELEMENTARY AND SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Alexandria, 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 Special Education Center. Our procedures included (1) a review of the center's internal control structure; (2) tests of financial transactions for the years ending June 30, 1997, and June 30, 1996; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1997, and June 30, 1996; and (4) a review of compliance with prior year report recommendations.

The Annual Fiscal Reports of the Louisiana Special Education Center were not within the scope of our procedures, and, accordingly, we do not express an opinion or any other form of assurance on these reports. The center's accounts are an integral part of the State of Louisiana's annual 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 April 6, 1995, we reported findings relating to electronic data processing controls, employee meals, and movable property. These findings have been resolved by management.

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

LEGISLATIVE AUDITOR

**LOUISIANA SPECIAL EDUCATION CENTER
BOARD OF ELEMENTARY AND SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Management Letter, Dated April 9, 1997

Page 2

Payroll Control Weaknesses

The Louisiana Special Education Center does not have adequate internal controls over its payroll function. A good internal control system should have control procedures in place to reduce the risk that payroll related errors and irregularities could occur and not be detected in a timely manner. The following control weaknesses were identified:

- The center does not have formal written policies and procedures for accumulating, summarizing, posting, and approving payroll transactions.
- The timekeeper and her supervisor have entry and approval authority in the Uniform Payroll System (UPS).
- The center has not established a random audit process as required by the Office of Statewide Uniform Payroll System user's manual to confirm that time entry documentation is being maintained.
- The supervisor for administrative personnel did not certify the time of the administrative staff from January 1, 1996, through December 1, 1996.
- No supporting leave slips were found for 8 of 25 instances where leave was taken by the two employees responsible for the payroll function.

Management has not emphasized the importance of developing and maintaining good internal control policies and procedures that would detect errors and/or irregularities in a timely manner. As a result, agency assets are subjected to unnecessary risk of loss or misuse.

The Louisiana Special Education Center should require the Director of Auxiliary Services to develop and implement formal written policies and procedures that would ensure that payroll related expenditures are properly documented, summarized, recorded, and processed before payroll expenditures are incurred. In a letter dated January 6, 1997, Mr. Walter B. Gatlin, Superintendent, stated that the Director of Auxiliary Services will develop and implement formal written policies and procedures relating to payroll related expenditures.

LEGISLATIVE AUDITOR

**LOUISIANA SPECIAL EDUCATION CENTER
BOARD OF ELEMENTARY AND SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Management Letter, Dated April 9, 1997

Page 3

Disbursement Control Weaknesses

The Louisiana Special Education Center does not have adequate controls to ensure that disbursements are made only after being properly authorized and supported. A good internal control structure would reduce the risk, to an acceptable level, that only valid, properly authorized, and supported disbursement transactions are incurred by the center. In addition, Article VII, Section 14 of the Louisiana Constitution of 1974 prohibits the donation of public funds or things of value to or for any person, association, or corporation, public or private. The deficiencies found in our examination are as follows:

- The center does not have written policies and procedures for the purchasing and disbursement functions.
- One employee at the center establishes vendors and makes changes to the vendor master files without review or approval of management.
- Two of four transactions tested for the Auxiliary Fund were for donations. A review of the ledger revealed ten donations during the period under examination for a total of \$783. Although not appropriated, the monies in the Auxiliary Fund are public funds.
- One of four transactions tested did not have supporting documentation for the disbursement of funds from the Student Account.
- The May 1996 imprest fund reimbursement included excessive mileage reimbursement and unsupported telephone calls for one employee, totaling approximately \$100. This reimbursement also included two purchases that did not have the required approval of the Director of Finance.
- In April 1996, the center used its imprest fund to make four separate purchases of furniture totaling \$1,688. The purchases were made from two vendors in just two days without taking quotes. The center appears to have split these purchases to circumvent the state purchasing regulations.
- One of ten General Fund non-payroll transactions tested had no indication that the items purchased were received.

LEGISLATIVE AUDITOR

LOUISIANA SPECIAL EDUCATION CENTER
BOARD OF ELEMENTARY AND SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA

Management Letter, Dated April 9, 1997

Page 4

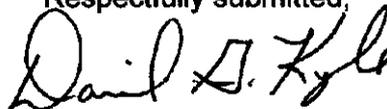
These weaknesses occurred because of management's lack of awareness and understanding of the need to develop, implement, and maintain good internal control policies and procedures that would detect errors and/or irregularities in a timely manner. Failure to establish and implement adequate internal controls places public assets at risk of loss or misuse. Furthermore, the lack of controls subjects the center to the possibility of being in noncompliance with applicable laws and regulations.

Management should develop and implement formal written policies and procedures that would ensure only valid disbursements are made after being properly authorized and supported. The center should also ensure that there is an adequate separation of duties relating to the purchasing function. In addition, controls should be implemented to ensure compliance with applicable laws and regulations. In a letter dated February 4, 1997, Mr. Walter B. Gatlin, Superintendent, stated that the Director of Finance plans to develop and implement formal written policies and procedures to ensure that disbursements are processed in compliance with applicable laws and regulations.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the center. The varying nature of the recommendations, their implementation costs, and their potential impact on operations of the center should be considered in reaching decisions on courses of action. Findings relating to the center'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

[LSEC]