

JIMMY D. LONG, SR. LOUISIANA SCHOOL
FOR MATH, SCIENCE, AND THE ARTS

DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 21, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



**Jimmy D. Long, Sr. Louisiana School
for Math, Science, and the Arts**

August 2019

Audit Control # 80190034

Introduction

The primary purpose of our procedures at the Jimmy D. Long, Sr. Louisiana School for Math, Science, and the Arts (School) was to evaluate certain controls the School uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated the School's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the School's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, student fees, and payroll expenditures.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in the School's procedural report dated May 17, 2017. We determined that management has partially resolved the prior-report finding related to Inadequate Cash Controls. The issue pertaining to disbursements from student club accounts without student officers' signatures has not been resolved and is addressed again in this report.

Current-report Finding

Inadequate Controls over Agency Fund

The School lacked adequate controls over proper authorization for disbursements from the Agency Fund. This increases the risk of the School not fulfilling its fiduciary duties by allowing disbursements from student club accounts without proper approval.

The School's written policies and procedures require for purchases involving a student club, organization, or other activity, that the student officer complete and approve a purchase order and submit for final approval by the School's faculty sponsor prior to the date of the purchase.

We reviewed 30 purchase orders for disbursements from the Agency Fund totaling \$12,954. Eight (26.7%) of the purchase orders reviewed totaling \$5,104 were for disbursements from student clubs or activities, but were not approved by student officers.

School management should ensure student officers' approvals are obtained and documented for all disbursements from student club, organization, or activity accounts in accordance with School policy. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Cash

The School maintains the following bank accounts:

- Agency Fund Account – This is an agency fund that was created to maintain appropriate financial records for the student organizations on campus and their activities. The School, as custodian, has fiduciary responsibilities over the student club and organization funds in this account.
- Room Deposit Account – This is an escrow account for students' security deposits of \$140 per student.
- Restricted Funds Account – This account is used to reimburse faculty for projects with expenditures restricted by the funding authority, typically the Louisiana School for Math, Science, and the Arts Foundation.
- Imprest Fund Account – Pursuant to Louisiana Revised Statute 39:242, the School is authorized to maintain an imprest fund up to a balance of \$5,000 to meet immediate cash needs. The School uses this account to reimburse employees' travel and other out-of-pocket expenditures, and to pay vendors requiring prompt payment. The School periodically requests replenishments to the Imprest Account from the State Treasury to maintain the \$5,000 balance. Funds in the Imprest Account come from the School's state appropriation.
- Receivable Clearing Account – This account was established in response to the prior-report finding related to Inadequate Cash Controls. In the past, self-generated revenues, primarily student fees, were deposited into the Imprest Account, often causing the Imprest Account balance to exceed its authorized balance of \$5,000. Beginning with fiscal year 2018, self-generated revenues are deposited into the Receivables Clearing Account to facilitate timely transferring of self-generated revenues to the State Treasury through ACH transfers.

The cash balance at June 30, 2018, per the School's Annual Fiscal Report, was \$303,909. We obtained an understanding of the School's controls over the bank accounts, evaluated the segregation of duties, and reviewed five months of bank statements and bank reconciliations during the period from July 1, 2017, to January 31, 2019. We also selected a sample of 30 disbursements from the Agency Fund Account during the period from July 1, 2017, to December 31, 2018. Based on the results of our procedures, except as noted in the Current-report Finding section, the School had adequate controls in place to ensure timely preparation, review, and approval of bank reconciliations; timely transfer of self-generated revenues to State Treasury; and that disbursements from the Agency Fund Account were properly authorized, made for proper business purposes, accurately recorded, and adequately supported.

Student Fees

The School collected \$928,398 in student fees between July 1, 2017, and March 31, 2019; \$765,643 of which was recorded as self-generated revenue; \$44,858 was deposited into the agency fund Room Deposit Account; and \$117,897 was deposited into the Agency Fund Account. We analyzed \$753,786 of the self-generated revenue from room and board, computer use, science lab, facility use, virtual school, summer school for students of the School, Excel program, and STEM program and \$44,858 of the agency fund room deposit student fees being imposed to determine whether the fees are legally authorized, whether the School is actually collecting the authorized amounts, and whether the collections are being properly recorded. We agreed the student fees collected per system-generated reports and/or bank statements to the expected collections based on student enrollment to ensure the appropriate amounts were collected. Based on the results of our procedures, the self-generated and agency fund room deposit student fees analyzed were legally authorized, and the School had adequate procedures in place to ensure that the authorized amounts were being collected and properly recorded.

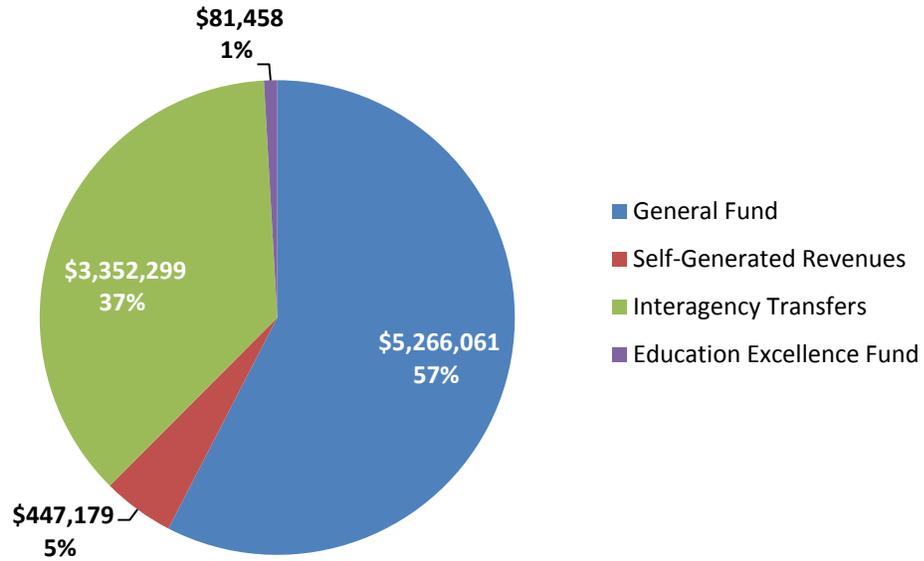
Payroll Expenditures

Salaries and wages comprise approximately \$4,742,122 (55%) of the School's fiscal year 2018 expenditures and \$2,097,475 (54%) of the School's fiscal year 2019 expenditures as of December 31, 2018. We obtained an understanding of the School's controls over the time and attendance function and reviewed 10 randomly selected employees' personnel files and payroll detail. Based on the results of our procedures, the School had adequate controls in place to ensure employees were paid the authorized rates.

Trend Analysis

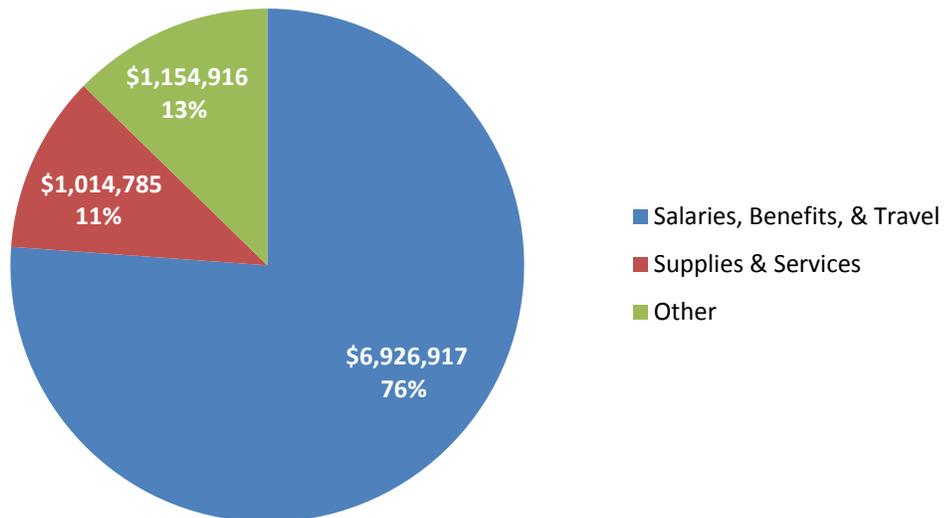
We compared the most current and prior-year financial activity using the School's Annual Fiscal Reports and/or system-generated reports and obtained explanations from School management for any significant variances. We also prepared an analysis of the School's fiscal year 2019 sources of revenue and fiscal year 2019 expenditures.

Exhibit 1 Fiscal Year 2019 Sources of Revenue



Source: Integrated Statewide Information System Reports as of August 14, 2019

Exhibit 2 Fiscal Year 2019 Expenditures



Source: Integrated Statewide Information System Reports as of August 14, 2019

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

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LSMSA2019

APPENDIX A: MANAGEMENT'S RESPONSE



Louisiana School for Math, Science, and the Arts

above. beyond.

July 30, 2019

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
Box 94397
Baton Rouge, LA 70804

RE: Audit Finding--Inadequate Cash Controls over Agency Fund

Dear Mr. Purpera:

I am writing in response to Ms. Rebecca Marcantel's letter of July 22, 2019, relative to the audit finding referenced above relating to the Louisiana School for Math, Science, and the Arts. The school concurs with this finding. I have outlined our response based on the deficiency noted:

The Jimmy D. Long, Sr. Louisiana School for Math, Science, and the Arts (School) lacked adequate controls over proper authorization for disbursements from the Agency Fund. This increases the risk of the School not fulfilling its fiduciary duties by allowing disbursements from student club accounts without proper approval.

The School's written policies and procedures require for purchases involving a student club, organization, or other activity, that the student officer complete and approve a purchase order and submit for final approval by the School's faculty sponsor prior to the date of the purchase. We reviewed 30 purchase orders for disbursements from the Agency Fund totaling \$12,954. Eight (26.7%) of the purchase orders reviewed totaling \$5,104 were for disbursements from student clubs or activities, but were not approved by student officers

School management should ensure student officers' approvals are obtained and documented for all disbursements from student club, organization, or activity accounts in accordance with school policy.

***RESPONSE and CORRECTIVE ACTION:** Although each of the purchase orders reviewed did include evidence of adequate internal controls (signatures of the club sponsor and a School director and/or department chair), the School does acknowledge that student officer approvals were not obtained and documented for each of the eight purchase orders for disbursement. LSMSA will amend its internal policies and procedures to align with R.S. 17:414.3, Student Activity Funds, which requires signatures of the sponsor, principal/designee, and the Comptroller or Chief of Staff/Director of Administration.*

RESPONSIBLE PARTY: JOHN ALLEN, CHIEF OF STAFF/DIRECTOR OF ADMINISTRATION

COMPLETION DATE: AUGUST 1, 2019

I appreciate the professionalism and cooperation your office has shown the school throughout this audit process. Should you require any additional information, please do not hesitate to contact me.

Sincerely,

Steven G. Horton, PhD.
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Jimmy D. Long, Sr. Louisiana School for Math, Science, and the Arts (School) for the period from July 1, 2017, through June 30, 2019. Our objective was to evaluate certain controls the School uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the School's Annual Fiscal Reports, and accordingly, we do not express an opinion 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 opinions.

- We evaluated the School's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the School.
- Based on the documentation of the School's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, student fees, and payroll expenditures.
- We compared the most current and prior-year financial activity using the School's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from School management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the School, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.