

BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED APRIL 3, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Board of Elementary and Secondary Education

April 2019

Audit Control # 80190021

Introduction

The primary purpose of our procedures at the Board of Elementary and Secondary Education (BESE) was to evaluate certain controls BESE uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

Results of Our Procedures

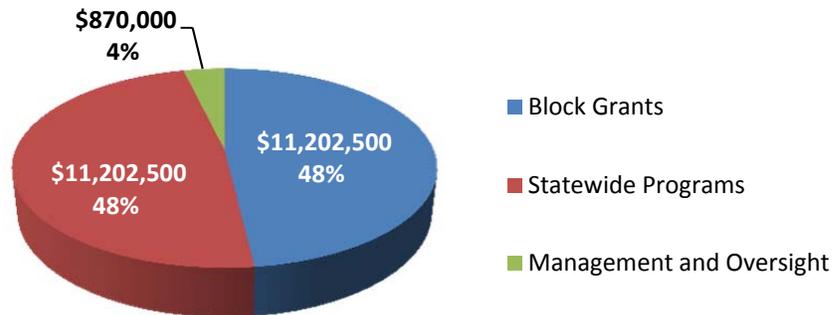
We evaluated BESE's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of applicable laws and regulations. Based on the documentation of BESE's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to Louisiana Education Quality Trust Fund (LEQTF) [8(g) program] monitoring, professional services contracts, payroll expenditures, and non-payroll expenditures.

8(g) Program Monitoring

The BESE 8(g) program is funded by the investment earnings of the LEQTF, a fund established with the proceeds from an offshore oil revenue settlement and certain recurring income from the settlement. BESE receives approximately 50% of the available revenue earned by the fund through an annual appropriation.

Each year BESE approves the allocation of 8(g) program funds for block and statewide grants, and for management and oversight. Student enhancement block grants are awarded to public and nonpublic systems, public independent schools, and nonpublic independent schools for projects designed to improve student academic or vocational-technical skills. The statewide programs are administered by state agencies, primarily the Department of Education, to provide goods, services, or flow-through to schools or school systems. Exhibit 1 shows the BESE allocation of 8(g) program funds for fiscal year 2019.

Exhibit 1
Allocation of 8(g) Program Funds – Fiscal Year 2019
Total: \$23,275,000



Source: Fiscal Year 2019 8(g) Annual Program and Budget

Programmatic and fiscal monitoring is performed each year on a percentage of 8(g)-funded projects. BESE enters into contracts with evaluators to perform onsite, programmatic monitoring, while fiscal monitoring is performed by BESE's 8(g) staff auditor. Based on our understanding of BESE's controls over 8(g) monitoring and the risks identified at BESE, we performed procedures to evaluate the programmatic and fiscal monitoring of the statewide programs. Based on the results of our procedures, BESE had adequate controls over the monitoring of the statewide programs to ensure that projects were implemented according to the approved proposals and expenditures were allowable.

Professional Services Contracts

We obtained an understanding of BESE's controls over professional services contracts and examined selected contracts for compliance with state law and to ensure that they were properly monitored. Based on the results of our procedures, BESE had adequate controls in place to ensure that professional services contracts were properly approved, expenditures were in accordance with the terms of the contracts, and the contracts were properly monitored.

Payroll Expenditures

Salaries and related benefits comprised approximately 6% of BESE's expenditures in fiscal year 2018. We obtained an understanding of BESE's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, BESE had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, and that employees were paid the amounts authorized.

Non-Payroll Expenditures

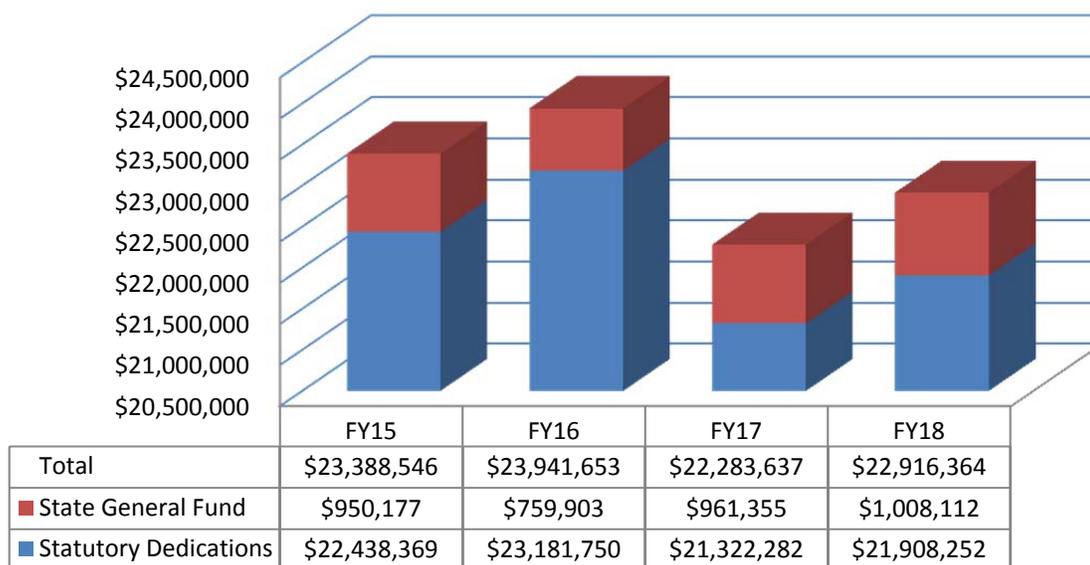
We obtained an understanding of BESE’s controls over expenditures for travel and training, operating services, supplies, capital outlay, and interagency transfers. We analyzed these expenditures for the period July 1, 2017, through December 31, 2018, and reviewed selected transactions to determine whether the expenditures were properly authorized, made for proper business purposes, adequately supported, and properly reviewed and recorded. Based on the results of our procedures, BESE had adequate controls in place over non-payroll expenditures and complied with applicable policies and regulations.

Trend Analysis

We compared the most current and prior-year financial activity using BESE’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from BESE’s management for any significant variances. We also prepared an analysis of BESE’s revenue from fiscal year 2015 through fiscal year 2018.

BESE’s primary source of revenue is statutory dedications for the 8(g) program. As shown in Exhibit 2, the amount of 8(g) revenue, which is based on actual collections in the LEQTF, varies from year to year.

Exhibit 2
Revenue – Fiscal Years 2015 through 2018



Source: Integrated Statewide Information System Reports

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Thomas H. Cole". The signature is written in a cursive style with a large, stylized "C" at the end.

Thomas H. Cole, CPA
First Assistant Legislative Auditor

CB:CRV:RR:EFS:aa

BESE 2019

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Board of Elementary and Secondary Education (BESE) for the period from July 1, 2017, through March 27, 2019. Our objective was to evaluate certain controls BESE 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 is 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 BESE's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. BESE's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated BESE'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 BESE.
- Based on the documentation of BESE's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to 8(g) program monitoring, professional services contracts, payroll expenditures, and non-payroll expenditures.
- We compared the most current and prior-year financial activity using BESE's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from BESE's 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 BESE and not to provide an opinion on the effectiveness of BESE'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.