

ST. TAMMANY PARISH
SCHOOL BOARD



ADVISORY SERVICES
PROCEDURAL REPORT
ISSUED JANUARY 3, 2018

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



St. Tammany Parish School Board

January 2018

Audit Control # 70170059

Introduction

The Louisiana Legislative Auditor performed certain procedures at the St. Tammany Parish School Board (Board) to address the requirements of Act 774 of the 2014 Regular Legislative Session, as amended. The primary purpose of our procedures at the Board was to assist the Board in evaluating certain controls that the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. Our procedures were more limited than an audit; therefore, we are not issuing an opinion on the Board's financial statements nor the effectiveness of the Board's internal control over financial reporting and compliance.

Results of Our Procedures

Follow-up on Prior-year Exceptions

We assessed the status/resolution of all exceptions reported in the Agreed-Upon Procedures Report dated December 13, 2016, and concluded that all prior-year exceptions were adequately resolved.

Current-year Results

1. Written Policies and Procedures

We obtained the Board's written policies and procedures and assessed whether they address the following financial and business functions:

- **Budgeting**, including preparing, adopting, monitoring, and amending the budget
- **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes

- ***Disbursements***, including processing, reviewing, and approving
- ***Receipts***, including receiving, recording, and preparing deposits
- ***Payroll/Personnel***, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked
- ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- ***Credit cards, debit cards, fuel cards, and P-Cards***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121; (2) actions to be taken if an ethics violation takes place; (3) system to monitor possible ethics violations; and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy
- ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements

Exceptions: We noted that written policies and procedures do not require all employees and elected officials to annually attest through signature verification that they have read the Board's ethics policy.

Recommendations: The Board should update its written policies and procedures to require that all employees and elected officials annually attest that they have read, understand, and will comply with the Board's ethics policy.

2. Board Oversight

We reviewed the minutes from Board and committee meetings and assessed whether management presented key financial information, including budget-to-actual comparisons, at monthly meetings.

Exceptions: We noted that management did not present financial information that included budget-to-actual comparisons on the General Fund or other major funds at monthly Board meetings.

Recommendations: Management should present the above monthly financial information at Board meetings and record such presentations in the official minutes. Discussing monthly financial information will enable the Board to more effectively review and monitor the school system's financial position.

3. Bank Reconciliations

We selected bank accounts and related reconciliations for the Board office and schools and assessed whether:

- Bank reconciliations have been prepared;
- Bank reconciliations include evidence that a member of management or a Board member with no involvement in the transactions associated with the bank account has reviewed each bank reconciliation; and
- Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 13 months, per policy, as of the end of the fiscal period.

Results: We did not identify any significant exceptions.

4. Collections

We selected cash collection locations for the Board office and schools and assessed whether each had documentation that supported whether each person responsible for collecting cash is (1) bonded; (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account; and (3) not required to share the same cash register or drawer with another employee. We also assessed whether collections are reconciled to the general ledger by an independent person.

Using Board supporting documentation, we traced collections to the deposit date on the corresponding bank statement to confirm timely deposit and verified whether cash collections were fully supported. We also evaluated the Board's policies for determining the completeness of collections.

Exceptions: We reviewed deposits for 19 collection locations, including 18 schools and the Board office. Board policy requires that deposits of \$250 or greater be made on the same day as the collection and deposits less than \$250 be made on the following day. We identified 15 instances where three schools did not deposit collections in accordance with the Board's written policies and procedures. In addition, we identified three instances where receipts did not include the date of collection.

Recommendations: The Board should ensure that its schools follow established deposit and receipt requirements and monitor its schools' compliance through periodic review of deposit and receipt documentation.

5. Disbursements

We randomly selected Board and school disbursements from the respective accounting records and assessed whether the supporting controls and documentation demonstrated proper segregation of duties.

Results: We did not identify any exceptions.

6. Credit Cards

We randomly selected Board and school credit cards from a listing obtained from the Board office and selected one monthly statement for each card. We confirmed whether monthly statements were reviewed and approved in writing by someone other than the authorized card holder, whether finance or late charges were assessed, and whether all charges were supported by a written business purpose and itemized receipt.

Exceptions: Based on our procedures, we identified the following:

- Three credit card statements included charges of \$3,147 for which the business purpose was not fully documented, as required by the Board's Internal Control Manual and best practices.
- One credit card statement included two charges on which sales taxes totaling \$23.48 were paid. The Board is exempt from sales taxes, and the School Finance Handbook states that sales taxes should not be paid.
- One credit card statement included a charge totaling \$517.72 that did not have prior written approval of the school principal, as required by the School Finance Handbook.

Recommendations: We advise the Board strengthen controls over its credit cards by:

- Requiring that the business purpose be fully documented before approving payment;
- Reviewing receipts more closely to avoid paying sales taxes; and
- Holding employees accountable for not obtaining written approval from the school principal before incurring charges.

7. Travel and Expense Reimbursement

We selected Board and school travel and expense reimbursements from a listing obtained from the Board office and selected the three persons with the largest travel reimbursements. We confirmed whether reimbursements were made in accordance with per diem rates or were supported by itemized receipts and included a documented business or public purpose, in accordance with policy.

Results: We did not identify any significant exceptions.

8. Contracts

We selected Board and school contracts from a listing obtained from the Board office and selected the five contractors that were paid the most during the fiscal year. We confirmed whether there was a formal written contract, whether the contract was bid in accordance with the Public Bid Law or best practices, and whether the contract was properly amended, if applicable. We selected the largest payment for each contract and confirmed whether the payment included and invoice and was made in accordance with contract terms. Finally, we confirmed whether the contract was approved by the Board, if required by policy or law.

Results: We did not identify any exceptions.

9. Payroll and Personnel

We randomly selected five Board or school employees from a listing obtained from the Board office and traced annual compensation, and changes to annual compensation, to employee files for proper authorization.

We randomly selected one pay period and 25 employees and confirmed whether all employees documented their daily attendance and leave, or had other compensating controls. We also selected the two employees that had the largest termination benefits during the fiscal year and confirmed whether the termination benefits were paid in accordance with policy.

We obtained supporting documentation relating to payroll taxes and retirement contributions and confirmed whether employer and employee portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: We did not identify any exceptions.

10. Ethics

We randomly selected five Board or school employees from a listing obtained from the Board office and confirmed whether the employee files included documentation to demonstrate that required ethics training was completed. We also inquired about the nature and resolution of alleged ethics complaints and confirmed whether complaints were addressed in accordance with policy, as applicable.

Results: We did not identify any exceptions other than the written policies and procedures exception noted under Section 1 above.

11. Debt Service

We inquired about any new debt issued during the fiscal year and evaluated whether Bond Commission approval was obtained, as applicable. For outstanding debt, we obtained supporting documentation and confirmed whether the Board made required debt service payments and maintained debt reserves, if required by debt covenants. We also confirmed whether tax millage collections exceeded debt service payments by more than 10%.

Results: We did not identify any exceptions.

12. Other

We inquired of management about any misappropriations of public funds or assets and whether the Legislative Auditor and district attorney were notified of the misappropriations, if applicable. We also observed whether the Legislative Auditor hotline was posted on Board and school premises.

Results: We did not identify any exceptions.

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

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

THC/aa

STPSB 2017

APPENDIX A: MANAGEMENT'S RESPONSE



W. L. "Trey" Folse, III
Superintendent

Pete Jabbia
Associate Superintendent

Michael Cossé
Assistant Superintendent

Regina Sanford, Ph.D.
Assistant Superintendent

District	Board Members
13	Robin P. Mullett, President
3	Michael J. Dirmann, Vice President
1	Neal M. Hennegan
2	Elizabeth B. Heintz
4	Stephen J. "Jack" Loup, III
5	Charles T. Harrell
6	Michael C. Nation
7	Willie B. Jeter
8	Peggy H. Seeley
9	Sharon Lo Drucker
10	Ronald "Ron" Bettencourt
11	Robert R. "Bob" Womack
12	Richard "Rickey" Hursey, Jr.
14	Dennis S. Cousin
15	Mary K. Bellisario

St. Tammany Parish School Board Management Response

Written Policies and Procedures Finding:

Per School Board policy BE and state law, all School Board members and employees are required to complete a minimum of one (1) hour of education and training on the *Louisiana Code of Governmental Ethics* annually. Ethics education training is provided by the Louisiana Board of Ethics via the internet, and each employee and School Board member currently completes this training annually and provides a certificate to the School Board Administration Office for record retention that the training was completed by December 31st of each calendar year.

The School Board will update the current ethics policy and procedures to require that all employees and elected officials annually attest that they have read, understand, and will comply with the Board's ethics policy per the recommendation. Each employee and board member will be provided a copy of the ethics policy, and an annual attestation will be performed online each school year by all employees and elected officials.

Board Oversight Finding:

The School Board has discussions in every committee and board meeting on all aspects of School Board finances including budget to actual updates. Prior to December 2017, the Board was provided with quarterly budget to actual updates by memo. In December 2017, the School Board began presenting financial information that includes budget-to-actual comparisons for the General Fund and all other major funds at the committee and board meetings. Financial information will be a recurring agenda item for all future meetings. The Board will also continue to receive quarterly budget to actual updates by memo.

Collections Findings:

The collection findings noted in the report relate to 3 individual schools. Central Office personnel will meet with the individual school Principals, bookkeepers, and other school personnel involved. Each finding will be analyzed, and appropriate documentation and justification will be recorded for each finding. School personnel will be required to have individual training on policies and procedures related to deposits and receipts.

The School Board will also provide additional training for all school personnel on the policies and procedures related to deposits and receipts at upcoming financial training sessions for bookkeepers and Principals.

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In addition, a monthly review of deposit and receipt documentation will be performed on a test basis by Central Office School Accounting personnel to ensure schools are in compliance with policies and procedures. The results of these reviews will be discussed with the appropriate personnel.

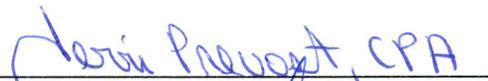
Credit Card Findings:

The credit card findings noted in the report related to 3 individual schools. Central Office personnel will meet with the individual school Principals, bookkeepers, and other school personnel involved. Each finding will be analyzed and discussed at this meeting. The school personnel involved may be required to reimburse the school and/or face disciplinary action depending on the results of the findings. At a minimum, the school personnel involved will be required to have individual training on the policies and procedures related to credit card purchases.

The School Board will provide additional training for all school personnel on the policies and procedures related to credit cards and purchases at upcoming financial training sessions for bookkeepers and Principals.

Additional procedures have been implemented as follows:

- (a) The school purchase request form has been updated to require business purpose on all expenditures.
- (b) Policies and procedures relating to sales tax and non-approved expenditures will be reviewed and improvements made to those policies and procedures as deemed necessary.
- (c) A monthly review of school credit card and other purchases will be performed on a test basis by Central Office School Accounting personnel to ensure schools are in compliance with policies and procedures. The results of these reviews will be discussed with the appropriate personnel.



Terri Prevost, CPA
Director of Business Affairs



W.L. "Trey" Folsie, III
Superintendent