

RECOVERY SCHOOL DISTRICT
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 10, 2014

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
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PAUL E. PENDAS, CPA

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THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 10, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Mr. Patrick Dobard, Superintendent,
Recovery School District

Dear Senator Alario, Representative Kleckley, and Mr. Dobard:

This report includes the results of the procedures we performed at the Recovery School District (RSD) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of the Single Audit of the State of Louisiana for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of RSD for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KS:CRV:BQD:THC:aa

RSD 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Recovery School District

December 2014

Audit Control # 80140140

Introduction

As required by Louisiana Revised Statute 24:513 and as a part of our Single Audit of the state of Louisiana (Single Audit) for the year ended June 30, 2014, we performed procedures at the Recovery School District (RSD) to evaluate the effectiveness of RSD's internal controls over financial reporting and compliance and to determine whether RSD complied with applicable laws and regulations. In addition, we determined whether management had taken actions to correct findings reported in the prior year.

RSD's mission is to provide educational and related services to children who are enrolled in an elementary or secondary school transferred to the RSD.

Results of Our Procedures

Follow-Up on Prior-Year Findings

Our auditors reviewed the status of the prior-year findings reported in the RSD management letter dated December 5, 2013. We determined that the prior-year findings related to the loss of movable property and inadequate controls over payroll have not been resolved by management and are addressed again in this report.

Current-Year Findings

Inadequate Controls over Movable Property

For the eighth consecutive year, RSD did not tag, maintain, and accurately report equipment as required by state equipment regulations, and did not maintain accurate information in the state's movable property system.

A test of assets purchased from July 1, 2012 to December 31, 2013 that were fully or partially funded with Disaster Grants - Public Assistance (CFDA 97.036) federal funds disclosed the following:

- Six hundred twenty-seven assets with an acquisition cost totaling \$2,543,318 were not entered into the Louisiana Property Assistance Agency (LPAA) asset management system (AMS), as required by the Louisiana Administrative Code.
- Eighty assets did not have the correct unit price in AMS. The unit price for 48 assets was overstated by a total of \$19,948, and the unit price for 32 assets was understated by a total of \$13,860.
- Two assets with an acquisition cost totaling \$299,290 were entered into AMS twice for the same location code.
- Forty-two assets with an acquisition cost totaling \$357,980 were purchased for and installed at a school; however, they were incorrectly coded to a warehouse location code in AMS.
- The amount of federal participation was not consistently recorded in AMS for items partially funded with federal funds.
- Reimbursement for assets with an acquisition cost totaling \$196,281 that were purchased in May and August 2013 was not requested from the Disaster Grants - Public Assistance program until we notified RSD in March 2014.

A review of the asset report for nine selected location codes disclosed the following:

- Four hundred forty-two assets with an acquisition cost totaling \$716,246 were recorded in AMS to the “inventory in transit” location code, which is not a physical location. Forty-three of these assets with an acquisition cost totaling \$60,157 were recorded as unlocated. We could not determine the physical location of the remaining 399 assets. According to RSD personnel, they sometimes code property for closed school sites to an inventory in transit code until the property managers can complete the annual inventory to better reconcile all assets.
- Four hundred sixty-seven assets with an acquisition cost totaling \$946,796 were recorded in AMS to the RSD warehouse location code. RSD stopped storing assets at this warehouse on September 1, 2013. Seventeen of these assets with an acquisition cost totaling \$40,170 were recorded as unlocated in 2013.
- Fifty-nine assets with an acquisition cost totaling \$107,383 were recorded in AMS to six location codes for programs that are no longer operating. All of these assets are recorded as unlocated, with \$94,561 recorded as unlocated in 2013. Forty-eight of these assets are computers or computer-related equipment.
- For 56 assets located at a contractor’s warehouse, 25 (45%) were not recorded to that location code in AMS, and 31 (55%) were not recorded in AMS.

A review of the AMS late additions report for July 1, 2013 through March 24, 2014 disclosed that RSD entered 754 assets with an acquisition cost totaling \$3,222,748 from 18 to 1,472 days after the required 60-day period.

Subsequent to our notifying RSD of the above exceptions, RSD submitted the 2014 annual certification of property inventory to the LPAA on June 20, 2014, disclosing \$7,041,340 in unlocated movable property for the current period.

RSD's movable property function is hampered by (1) inaccurate and incomplete information included in AMS; (2) the decentralization of movable property at the various custodians (schools) and a lack of accountability and training of the custodians for RSD property; (3) RSD personnel not following established movable property policies; and (4) a lack of enforcement of policies by RSD management. Failure to comply with state equipment management regulations increases the risk that assets may be misreported, lost, or stolen. In addition, the year-to-year cost of replacing lost or stolen movable property items could reduce the availability of funds (federal or state) for other educational objectives.

The Louisiana Administrative Code requires that all movable property having an original acquisition cost of \$1,000 or more be tagged with a uniform state of Louisiana identification tag and all pertinent inventory information be forwarded to the LPAA within 60 calendar days after receipt of the item. It also requires entities to conduct an annual physical inventory of movable property and report any unlocated movable property to the LPAA.

Management should ensure that information included in AMS is accurate and complete; ensure the custodians are provided an accurate and complete inventory listing of tagged property provided by the state; emphasize established policies through training and guidance; continue to search for unlocated property; and increase its efforts to make the school-level personnel responsible and accountable for assigned RSD movable property, to include holding them financially liable as allowed by the movable property regulations. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-6).

Inadequate Controls over Payroll Terminations and Overpayments

During fiscal year 2014, RSD failed to timely enter employee separation dates in its payroll system for 62 of its employees, potentially resulting in noted overpayments to 16 of these employees totaling \$5,803. In addition, RSD could not provide any documentation to evidence a review of outstanding overpayments for accuracy or recoupment.

Of 639 employee separation dates entered in the Integrated Statewide Information System/Human Capital Management (ISIS/HCM) payroll system from July 1, 2013 to March 19, 2014, 62 (9.7%) were entered from four to 81 days (an average of 25 days) after the close of the employees' last pay periods. Overpayments totaling \$5,803 were generated by ISIS/HCM for 16 of these employees. RSD did not provide supporting documentation for any of the 16 to show that they determined the cause and accuracy of the overpayment amounts or that they made any efforts to recoup the overpayments. RSD also did not have supporting documentation available to confirm the separation dates for 12 (75%) of these 16 employees.

In addition, for 35 (73%) of 48 outstanding overpayments initially recorded from March 2012 through September 2013, RSD could not provide any documentation to evidence a review of the \$22,841 in overpayments identified in quarterly reports from the Division of Administration, Office of Information Services (OIS) for accuracy or recoupment. A test of eight of the remaining 13 overpayments, totaling \$53,132, disclosed the following:

- For two of eight (25%) overpayments tested, RSD did not have supporting documentation available to confirm the employees' separation dates. Without this documentation, we could not determine if the separation dates entered into ISIS/HCM were accurate and, therefore, additional overpayments may have been made and not detected.
- For two of eight (25%) overpayments tested, RSD did not have supporting documentation to show that the employee was notified of the overpayment. The written notification of overpayment that was sent for the remaining six overpayments did not include all of the information required by RSD's recoupment policy, such as the date the overpayment occurred and the employee's options for reimbursing the overpayment.
- For six of eight (75%) overpayments tested, RSD did not have documentation to show that it determined the accuracy of the overpayment amounts. We identified that the overpayment amounts are potentially overstated by \$27,394.
- For six of eight (75%) overpayments tested, RSD had not recouped \$22,996 in overpayments, had not set up a payment plan with the separated employees, and did not have supporting documentation to show that it referred the overpayments to the Louisiana Attorney General's office for collection.

RSD management did not fully comply with established internal control policies and procedures relating to timely input of termination dates in ISIS/HCM, timely follow-up and review of overpayments identified in quarterly reports from OIS, and recouping overpayments. Good internal controls require that employee terminations should be entered accurately in the payroll system before the close of the employee's last pay period. This is the eighth consecutive year RSD has been cited for inadequate controls over the input of termination dates.

Failure to enter separation dates timely increases the risk that employees will be paid improperly. In addition, failure to review overpayments identified in quarterly reports from OIS for accuracy and to ensure prompt recoupment of those overpayments results in increased risk that former employees could be billed inaccurately and/or overpayments will not be recouped, resulting in a loss of state and/or federal funds.

Management should improve control over payroll processing to ensure termination dates are input timely in ISIS/HCM; ensure that payroll personnel timely review overpayments identified in quarterly reports from OIS for accuracy and follow established procedures for recouping overpayments; track all overpayments and recoupments; and place stronger emphasis on compliance with payroll policies and practices through training and guidance. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 7).

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2014, we performed internal control and compliance testing on RSD's School Improvement Grants Cluster (CFDA 84.377, 84.388) and Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA 97.036) federal programs, as required by the Office of Management and Budget (OMB) Circular A-133. Those tests included evaluating the effectiveness of RSD's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether RSD complied with applicable program requirements.

We also performed procedures on RSD's Summary Schedule of Prior Audit Findings (Schedule 8-3), as required by OMB Circular A-133.

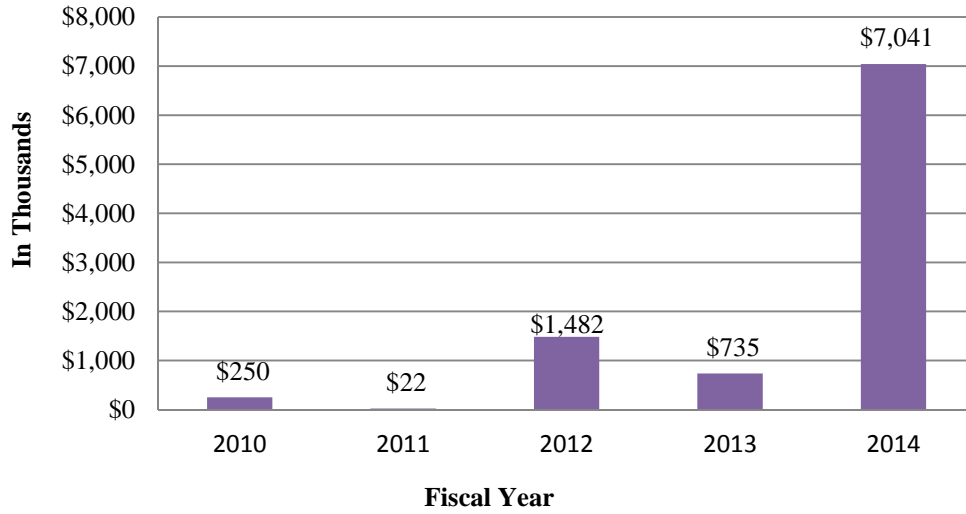
Based on the results of these Single Audit procedures, we did not report any internal control deficiencies or non-compliance with program requirements. In addition, RSD's Schedule 8-3, as adjusted, is materially correct.

Trend Analysis

We compared the most current- and prior-year financial activity using RSD's annual fiscal reports and/or system-generated reports and obtained explanations from RSD management for any significant variances. We also prepared an analysis of unlocated property and expenditures over the last five years.

In analyzing financial trends of RSD over the past five years, we found that the amount of unlocated property reported in RSD's annual certification of property inventory fluctuated widely over the years, but increased significantly in fiscal year 2014 mainly due to RSD conducting a thorough inventory and accurately reporting unlocated items. RSD's expenditures remained fairly consistent from 2010 to 2013 but decreased in 2014. The decrease in expenditures is attributed mainly to MFP dollars flowing directly to charter schools rather than through RSD.

Exhibit 1 Unlocated Property



Source: Fiscal Year 2010-2014 Annual Property Certifications

Exhibit 2 Expenditures



Source: Fiscal Year 2010-2014 Annual Financial Reports

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of RSD. The nature of the recommendations, their implementation costs, and their potential impact on the operations of RSD should be considered in reaching decisions on courses of action. The finding relating to the RSD's compliance with applicable laws and regulations should be addressed immediately by management.

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

APPENDIX A: MANAGEMENT'S RESPONSE

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September 9, 2014

Mr. Daryl G. Purpera
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Sir:

Please accept this correspondence as our official response to the RSD 2014 Controls of Moveable Property.

As you will read in our detailed response to your findings below, the RSD has made tremendous progress in addressing concerns previously raised by your office. We are proud of the improvements we have made to the operations, policies, and procedures of our property management function and we thank you for the helpful feedback your office has provided along the way.

In October 2013, the Recovery School District (RSD) made the strategic decision to dedicate more resources to the property department thus ensuring better management and stronger controls. The property department received new leadership, a new property manager, and additional support staff.

In November 2013, the RSD developed a revised approach for identifying and tagging newly purchased assets and completing the annual property certification, which we communicated to your office on November 28, 2013.

As of June 2014, the RSD has completed its first property certification with revised procedures and has successfully implemented all procedural changes to ensure timely and accurate data entry of newly acquired assets.

LLA Finding 1: Six hundred twenty-seven assets with an acquisition cost totaling \$2,543,318 were not entered into the Louisiana Property Assistance Agency (LPAA) asset management system (AMS), as required by the Louisiana Administrative Code.

RSD Response: We concur with this finding and have made all necessary corrections.

- In the fall of 2013 the newly formed RSD Property Management team began to review all assets purchased for newly constructed facilities over the past four years to determine assets that remained untagged or not entered into the Asset Management System. This revised process for evaluating items that require entry into the AMS system was outlined in our response to the previous LLA audit in November of 2013. We began entering these newly identified items into AMS immediately thereafter in accordance to the new methods outlined in our previous response. As of today all six hundred and twenty-seven assets (627) have been entered into the Asset Management System and we have fully corrected this finding.
- Wheatley ES is the first newly constructed school completed by the RSD in 12 months. It is the first school to be completed since our previous audit and the first school that was subject to the new methods outlined in our November 2013 response to the LLA. The facility's substantial completion date was July 18, 2014 and as of August 15, 2014 all assets over \$1,000 have been tagged and entered into AMS based on our revised procedures to ensure timely and accurate data entry of newly acquired assets.

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LLA Finding 2: Eighty assets did not have the correct unit price in AMS. The unit price for 48 assets was overstated by a total of \$19,948 and the unit price for 32 assets was understated by a total of \$13,860.

RSD Response: We concur with this finding and have made all necessary corrections to address this finding.

- We have revised our recording methods and procedures to include all installation and added features costs into the unit price to establish as standard practice for recording unit price.
- 48 assets overstated by \$19,948 have been corrected based on our revised methodology. Assets were previously overstated due to data entry error and inconsistent methods.
- 32 assets listed as understated by \$13,860.48 have been corrected based on our revised methodology. Assets were previously understated because the previous property manager did not include installation and added feature cost to the total unit price. The inclusion of these costs in the total unit price is now standard per updated procedures.

LLA Finding 3: Two assets with an acquisition cost totaling \$299,290 were entered into AMS twice for the same location code.

RSD Response: We concur with this finding and have made all necessary corrections.

- This finding has been corrected and was the result of a data error made by outsourced staff members. The RSD no longer uses out sourced staff for Property Management.

LLA Finding 4: Forty-two assets with an acquisition cost totaling \$357,980 were purchased for and installed at a school; however were incorrectly coded to a warehouse location code in AMS.

RSD Response: We concur with this finding and have made all necessary corrections.

- All items were corrected as of 2/20/2014. Previous property procedures required all assets be delivered to a central warehouse where items were tagged and later entered into the AMS systems once they were moved from the central warehouse to the newly constructed school. As stated in our November 2013 response to the LLA the RSD no longer has assets delivered to a central warehouse but to the school facility the assets were purchased for to prevent coding mistakes.

LLA Finding 5: The amount of federal participation was not consistently recorded in AMS for items partially funded with federal funds.

RSD Response: We concur with this finding and have made all necessary corrections.

- As of February 2014 we revised our procedure for data entry and now our standards include the following fields for each asset; expenditure organization, reporting category, fiscal year, and funding source with percentage. It is important to note that information regarding federal participation is recorded in our general ledger and is the primary resource for defining assets purchased with federal funds. The Asset Management System is not used for this procedure.



LLA Finding 6: Reimbursement for assets with an acquisition cost totaling \$196,281 that were purchased in May and August 2013 was not requested from the Disaster Grants – Public Assistance program until we notified RSD in March, 2014.

RSD Response: We concur with this finding and have made all necessary corrections.

- We appreciate the LLA bringing this item to our attention; we acknowledge this error and have made the correction. Beginning with the start of FY-15 LDOE Finance will be handling all payables as well as grant reimbursements which will serve to avoid this issue moving forward.

LLA Finding 7: A review of the asset report for nine selected location codes disclosed the following: Four hundred forty-two assets with an acquisition cost totaling \$716,246 were recorded in AMS to the “inventory in transit” location code, which is not a physical location. Forty-three of these assets with an acquisition cost totaling \$60,157 were recorded as unlocated. We could not determine the physical location of the remaining 399 assets. According to RSD personnel, they sometimes code property for closed school sites to an inventory in transit code until the property managers can complete the annual inventory to better reconcile all assets.

RSD Response: We concur with this finding and have made all necessary corrections to address this finding.

- As part of our revised methodology for completing the annual property certification we review each asset to ensure its status and location. All items have had their location code changed to reflect current status. Only items that were identified as “unlocated” while they were recorded at the “inventory in transit” code remain at that site code. Once an asset is classified as unlocated its location code cannot be changed. The location code for the 442 assets has been corrected as follows:
 - 263 Assets – Identified as unlocated after the completion of the 2014 Property Certification. Total value: \$416,680.12
 - 141 Assets – Recorded to a facility based location code after the completion of the 2014 Property Certification. Total value: \$246,403.77
 - 37 Assets – Identified as unlocated in the 2013 Property Certification. Total value: \$51,763.00
 - 1 Asset – Identified as unlocated in the 2011 Property Certification (Inactive). Total value: \$1,399.00
 - In addition, the review process allowed the RSD to determine that 5 of the 43 assets that were previously recorded as unlocated were identified during the 2014 Property Certification. Total value: \$6,995.

LLA Finding 8: A review of the asset report for nine selected location codes disclosed the following: Four hundred sixty-seven assets with an acquisition cost totaling \$946,796 were recorded in AMS to the RSD warehouse location code. RSD stopped storing assets at this warehouse on September 1, 2013. Seventeen of these assets with an acquisition cost totaling \$40,170 were recorded as unlocated in 2013.

RSD Response: We concur with this finding and have made all necessary corrections to address this finding.

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- As part of our revised methodology for completing the annual property certification we review each asset to ensure its status and location. All items have had their location code changed to reflect current status. Only items there were identified as “unlocated” while they were recorded at the RSD warehouse location code remain at the site code. The location code for the 467 assets has been corrected as follows:
 - 54 of the 467 assets are coded to the location of the ICT Warehouse.
 - 34 of the 467 assets are coded to active school location site codes.
 - 362 of the 467 assets were identified as unlocated as a result of the 2014 Property Certification.
 - 17 of the 467 assets identified as unlocated as a result of the 2013 Property Certification remain unlocated.

LLA Finding 9: A review of the asset report for nine selected location codes disclosed the following: Fifty-nine assets with an acquisition cost totaling \$107,383 were recorded in AMS to six location codes for programs that are no longer operating. All of these assets are recorded as unlocated, with \$94,561 recorded as unlocated in 2013. Forty-eight of these assets are computers or computer related equipment.

RSD Response: We concur with this finding and have made all necessary corrections to address this finding.

- The previous property manager created site codes based on school programs and not physical locations. When a school program is closed or moved to a new location the previous physical location continues to serve students and the assets at the facility serve the new program at that location, unless otherwise noted. There are no active assets tied to programs that no longer exist or locations that are no longer under the control of the Recovery School District.

LLA Finding 10: For 56 assets located at a contractor’s warehouse, 25 (45%) were not recorded to that location code in AMS and 31 (55%) were not recorded in AMS.

RSD Response: We concur with this finding and have made all necessary corrections.

- As part of our revised methodology for completing the annual property certification we review each asset to ensure its status and location. All items have had their location code changed to reflect current location.
 - 25 of the 56 assets that were not recorded with their current locations have been corrected.
- We believe the 31 tagged items were not recorded in AMS because their initial value was less than \$1,000. We are working towards having all erroneously placed state assets tags removed.

LLA Comment 1: A review of the AMS late additions report for July 1, 2013 through March 24, 2014 disclosed that RSD entered 754 assets with an acquisition cost totaling \$3,222,748 from 18 to 1,472 days after the required 60-day period.



RSD Response:

- In the fall of 2013 the newly formed RSD Property Management team began to review all assets purchased for newly constructed facilities over the past four years to determine assets that remained untagged or not entered into the Asset Management System. This revised process for evaluating items that require entry into the AMS system was outlined in our response to the previous LLA audit in November of 2013. We began entering these newly identified items into AMS in November 2013 in accordance to the new methods outlined in our previous response and implemented at the same time. We believe the inclusion of 754 items into the AMS system over the last year proves our success and commitment to the process outlined to the LLA in November of 2013.
- Wheatley ES is the first newly constructed school completed by the RSD in 12 months. It is the first school to be completed since our previous audit and the first school that was subject to the new methods outlined in our November 2013 response to the LLA. The facility's substantial completion date was July 18, 2014 and as of August 15, 2014 all assets over \$1,000 have been tagged and entered into AMS based on our revised procedures to ensure timely and accurate data entry of newly acquired assets.

LLA Comment 2: Subsequent to our notifying RSD of the above exceptions, RSD submitted the 2014 annual certification of property inventory to the Louisiana Property Assistance Agency on June 20, 2014, disclosing \$7,041,340 in unlocated movable property for the current period.

RSD Response:

- In the fall of 2013 the newly formed RSD Property Management team revised the methods for completing the annual property certification based on the recommendations provided by the LLA, which we believe resulted in the identification of additional unlocated assets in the 2014 Property Certification. Again, this was a direct result of the revised and improved methodologies described in the November 2013 response to the LLA and implemented at the same time.
- The state does not account for depreciation of assets in property reports and we believe this creates a false picture of the reported loss. The value of the RSD's unlocated assets within their useful life is \$1,113,568, not \$7,041,340. The overwhelming majority of unlocated assets are Information Technology systems that were purchased prior to 2010. According to the internal report provided by the Asset Management System the majority of Information Technology systems have a useful life of 5-6 years.
 - Only 6% of unlocated assets have been purchased within the last 5 years
 - 10% of all unlocated assets did not have a category for useful life but were purchased prior to 2010 and likely beyond their useful life
 - 84% of unlocated assets are beyond their useful life and would be fully depreciated for accounting purposes and would have a value of \$0.00.
- As the RSD converted direct-operated schools into charter schools in the last few years, the new charter school organizations replaced obsolete IT items with more modern technology in order to better serve their students. The RSD has a progressive portfolio of schools that rely on up to date technology and the process for disposing unwanted or idle assets was not always clear.

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- In order to better communicate the process for the removal of unwanted assets the RSD developed and distributed a property procedures and policies handbook. These procedures have been included as an addendum to all RSD leases as of July 1, 2014 and are part of regular updates with all charter operators.
- The RSD has surplusd 578 idle assets since January 2014 and it is our goal to double this number before the completion of the next property certification.

We thank you for the opportunity to respond to the findings and comments regarding the RSD 2014 Controls of Moveable Property. We are excited about the progress we have made in the last year and we appreciate the helpful feedback and insights provided by the LLA as we continue to improve our control structures.

Sincerely,



Patrick Dobard

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September 9, 2014

Mr. Daryl G. Purpera
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Sir:

Please accept this correspondence as our official response to the RSD 2014 Controls over Payroll Terminations and Overpayments.

The audit finding stated that during fiscal year 2014, the Recovery School District (RSD) failed to timely enter employee separation dates in its payroll system for 62 of its employees potentially resulting in noted overpayments to 16 of these employees totaling \$5,803. In addition, RSD could not provide any documentation to evidence a review of outstanding overpayments for accuracy or recoupment.

We concur with this finding and have taken the following actions to address the issues identified:

The RSD has taken substantial steps in addressing the concerns raised by your office. First, as of September 1, 2014, the Louisiana Department of Education's Human Resources Office (LDOE/HR) is providing all human resources services for the Recovery School District. LDOE/HR brings senior staff familiar with ISIS/HCM data entry requirements and recoupment procedures as well as a proved track record of compliance with established best practices. The LDOE/HR Team is providing oversight and audit services to maintain payroll records accurately. This new oversight structure will ensure that controls over payroll are strengthened and enhanced going forward.

- LDOE/HR is using the Employee Change Request documentation along with the letter of resignation/termination to verify RSD employee separation dates.
 - LDOE/HR will enter the separation date into ISIS/HCM by the last day of the pay period in which the employee is separated.
- LDOE/HR is working within the parameters of the established LDOE Overpayment Recoupment policy (attached) to ensure that outstanding overpayments are identified and recoupment efforts are initiated.

For additional security, the LDOE/HR Operations Team has begun biweekly payroll audits to ensure that all time and attendance records are accurate. Specifically, the Time Entry Audit Report (ZT02), the Employee Wage Type Results Report (ZP64), the Payroll Gross/Net Wages Comparison Report (ZP69), and the Payroll Locks Report (ZP169) are being utilized multiple times per week to discover possible errors and ensure that they are researched and corrected immediately.

We thank you for the opportunity to respond to the findings and comments regarding the RSD 2014 Controls over Payroll Terminations and Overpayments. We are excited about working with LDOE/HR to ensure that documentation is maintained and separations are processed timely as well as ensuring that recoupments are processed in accordance with policy. We appreciate the helpful feedback and insights provided by the LLA as we continue to improve our control structures.

Sincerely,



Patrick Dobard
Superintendent

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Recovery School District (RSD) for the period from July 1, 2013 through June 30, 2014, to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The procedures included inquiry, observation, and review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2014.

- We evaluated RSD'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 RSD.
- Based on the documentation of RSD's controls and our understanding of related laws and regulations, we performed procedures to evaluate the effectiveness of RSD's internal controls over movable property and payroll expenditures and to determine whether RSD complied with applicable laws and regulations.
- We performed procedures on the School Improvement Grants Cluster (CFDA 84.377, 84.388) and Disaster Grants - Public Assistance (Presidentially Declared Disasters, CFDA 97.036) federal programs for the year ended June 30, 2014, to support the 2014 Single Audit.
- We compared the most current- and prior-year financial activity using RSD's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from RSD management for significant variances.

The purpose of this report is solely to describe the scope of our work at RSD and not to provide an opinion on the effectiveness of RSD'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 purposes.

We did not audit or review RSD's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. RSD's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.