

BOARD OF ELEMENTARY AND  
SECONDARY EDUCATION  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED APRIL 12, 2017

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

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Board of Elementary and Secondary Education

April 2017

Audit Control # 80170021

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### Introduction

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

The mission of BESE is to provide leadership and create policies for education that expand opportunities for children, empower families and communities, and advance Louisiana in an increasingly competitive global market. BESE has the responsibility of governing all public schools including elementary schools; secondary schools; special schools for the deaf, blind, and physically-handicapped; and educational units in the state's correctional institutions and mental health facilities.

### Results of Our Procedures

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, our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions related to the Louisiana Education Quality Trust Fund (LEQTF) [8(g) program] monitoring and professional services contracts; LaCarte, travel, and fuel expenditures; and the process for returning schools from the Recovery School District (RSD) to the local school board.

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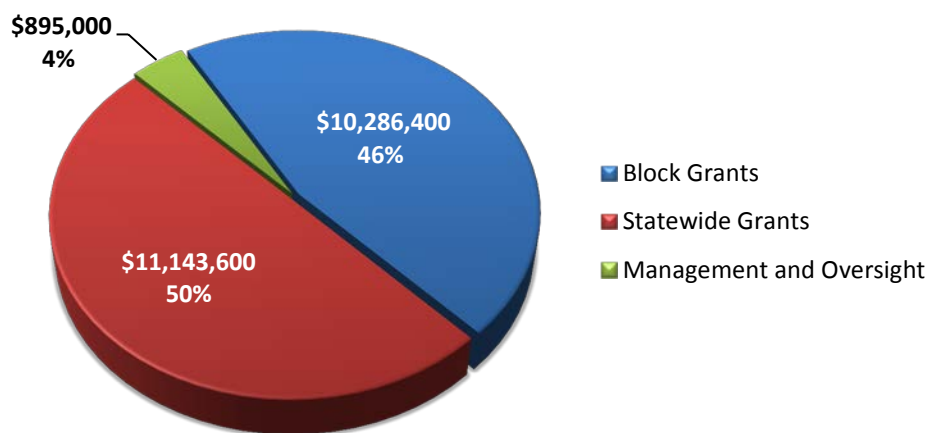
#### 8(g) Program Monitoring

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 2017.

**Exhibit 1**  
**Allocation of 8(g) Program Funds – Fiscal Year 2017**



**Source:** Fiscal Year 2017 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 block grants and examined selected contracts. Based on the results of our procedures, BESE had adequate controls over the monitoring of the block grants to ensure that projects were implemented according to the approved proposals; expenditures were allowable; contract deliverables were met; and contract payments were made in accordance with the contract terms.

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## **LaCarte, Travel, and Fuel Expenditures**

BESE participates in the state of Louisiana's LaCarte Purchasing Card (P-Card), Controlled Billed Account (CBA), Travel Card (T-Card), and Fuel Card programs. We obtained an understanding of controls over the P-Card, CBA, T-Card, and Fuel Card programs. We selected and examined transactions for each program to determine if purchases were made in accordance with applicable laws and regulations. Based on the results of our procedures, P-Card, CBA, T-Card, and Fuel Card purchases were properly authorized, made for proper business purposes, accurately recorded, and adequately supported.

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## **Return of Schools to Local School Board**

BESE authorizes Type 5 charter schools. In accordance with BESE *Bulletin 129 – The Recovery School District*, a school that has been under the jurisdiction of the RSD for a minimum of five years as either a direct-run RSD school or a Type 5 charter school may be returned to the jurisdiction of its former local school board. An eligible Type 5 charter school board may elect to transfer from the RSD and return to the jurisdiction of its former local school board as a Type 3b charter school. The transfer becomes effective on July 1 of the year following BESE's approval. Five former Type 5 charter schools have been returned to local school board (Orleans Parish School Board) control, one in the 2015-2016 school year and four in the 2016-2017 school year.

RSD is responsible for overseeing the transfer process and developed a plan for the return of schools. We obtained and reviewed the plan and examined supporting documentation for the transferred schools. Based on the results of our procedures, the transfers were made in accordance with the plan, with adequate documentation maintained to evidence that the plan was followed.

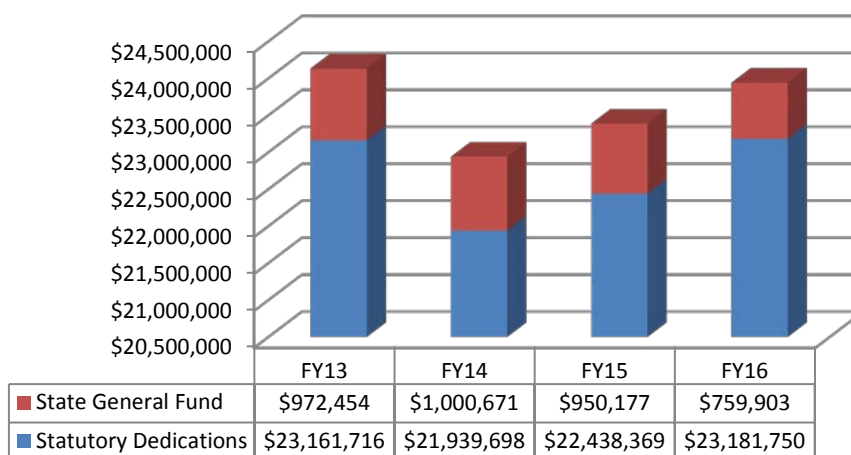
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## **Comparison of Activity between Years**

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 management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

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 2013 through 2016**



**Source:** ISIS Reports

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

Respectfully submitted,

Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

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BESE 2017

## APPENDIX A: SCOPE AND METHODOLOGY

We conducted procedures at the Board of Elementary and Secondary Education (BESE) for the period from July 1, 2015, through April 4, 2017. Our objective was to evaluate certain internal 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 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 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 performed the following 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 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 relating to 8(g) program monitoring and professional services contracts; LaCarte, travel, and fuel expenditures; and the process for returning schools from the Recovery School District to the local school board.
- We compared the most recent 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 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.