

CENTRAL COMMUNITY SCHOOL SYSTEM

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES –
SCHOOL ACTIVITY FUNDS

JULY 1, 2016 - JUNE 30, 2017



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Members of the Central Community School System's Board
and Mr. Michael Faulk, Superintendent
Central Community School System
Central, Louisiana

We have performed the procedures described in Schedules A and B, which were agreed to by the Members of the Central Community School System's Board (CCSS) and the Superintendent ("School System") (the specified parties) solely to assist you with respect to certain financial transactions and accounting procedures of Central Intermediate School (CIS) and Tanglewood Elementary School (TES) for compliance with bookkeeping procedures as outlined in CCSS's fiscal management policy, for the period July 1, 2016 through June 30, 2017. The School System's management is responsible for the accounting records of the schools. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Schedules A and B either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in Schedules A and B.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Members of the Central Community School System's Board, the Superintendent, and the Louisiana Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Hannis T. Bourgeois, CPA

Denham Springs, Louisiana
January 30, 2018

CENTRAL COMMUNITY SCHOOL SYSTEM

AGREED UPON PROCEDURES – CENTRAL INTERMEDIATE SCHOOL
SCHEDULE A

JULY 1, 2016 - JUNE 30, 2017

Hannis T. Bourgeois, LLP was on site at Central Intermediate School to conduct agreed upon procedures. The agreed-upon procedures performed and the findings are as follows:

Procedure 1:

Obtain the following information related to procedures and processes for Central Intermediate School (CIS) activity funds:

1. Organizational chart including the identification of persons responsible for initiating, preparing, and approving financial information.
2. Listing of persons authorized to do the following:
 - a. Deposits/Receipts:
 - i. Reconciling deposits to participants on gate tickets.
 - ii. Preparing deposit slip.
 - iii. Who makes the deposit at the bank.
 - iv. Who receives the deposit.
 - v. Who records the deposit in the accounting system (Active Network).
 - vi. Who reviews and approves step 2.b.v.
 - b. Expenditures:
 - i. Initiating transactions.
 - ii. Approving transactions.
 - iii. Placing orders.
 - iv. Preparing checks.
 - v. Signing checks.
 - vi. Recording transactions in accounting records.
 - vii. Who approves and adds vendors to vendor listing. Provide a listing of the approved vendors.
 - c. Bank Reconciliations:
 - i. Who receives, opens, and approves bank statement prior to the reconciliation process.
 - ii. Who reconciles the bank statement.
 - iii. Who reviews and approves the bank reconciliation.
3. Who reviews and approves the balances in each activity fund.

We were able to obtain the above listed information. Step 2(a)(i) is not applicable as the school does not host events for which gate tickets are sold.

Procedure 2:

Test of Deposits/Receipts:

1. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report 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 (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

We noted that each person responsible for collecting cash does not share the same cash register or drawer with another employee. Teachers are each given their own cash bag for collections.

We noted that the same individual (the executive secretary) who prepares and takes the deposits to the bank also records the transaction into the accounting records. As a mitigating control, it is a policy of the schools for the teacher/sponsor turning in the funds to the executive secretary to also turn in a Deposit Transmittal Form which states the amount of funds turned over. The teacher/sponsor should receive a receipt from the executive secretary after the money is deposited in the bank. Also as a mitigating control, the principal receives the bank statement unopened and signs off before the executive secretary prepares the monthly bank reconciliation. In addition, the principal reviews and signs off on the bank reconciliation.

2. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Finding:

We noted that the school secretary generates a pre-numbered receipt from the accounting software for each Deposit Transmittal Form received. The teacher is given a copy of the pre-numbered receipt. When the secretary prepares the deposit, she reconciles the pre-numbered receipts to the deposit. However, it appears that no one is reviewing the deposit reconciliation prepared by the secretary which reconciles amounts collected to the actual deposit.

Recommendation:

We recommend that the principal review the deposit reconciliations to verify that pre-numbered receipts agree to the actual deposit and investigate any breaks in sequence.

3. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - a. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - b. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings:

- (1) We noted six instances related to World Finest Chocolate sales in which the Deposit Transmittal Form was initiated by the secretary instead of the teacher/sponsor who turned in the funds. In these instances, the secretary counted the funds, initiated a Deposit Transmittal Form, prepared and took deposits to the bank, and recorded the transactions. It is a policy of the School System for the teacher/sponsor turning in the funds to the executive secretary to also turn in a Deposit Transmittal Form which states the amount of funds turned over and is signed by the teacher/sponsor. The teacher/sponsor should receive a receipt from the executive secretary after the money is deposited in the bank.

Recommendation:

We recommend that the school follow the School System's policy in regard to cash collections.

- (2) We noted two instances where deposits were not made within one day of collection. In one instance, money was collected four days prior to deposit. In another instance, a portion of a deposit was for money collected six days prior to deposit.

Recommendation:

We recommend that money collected should be deposited on a daily basis whenever possible.

4. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties), by a person who is not responsible for collections.

Finding:

We noted that the school secretary generates a pre-numbered receipt from the accounting software for each Deposit Transmittal Form received. The teacher is given a copy of the pre-numbered receipt. When the secretary prepares the deposit, she reconciles the pre-numbered receipts to the deposit. However, it appears that no one is reviewing the deposit reconciliation prepared by the secretary which reconciles amounts collected to the actual deposit.

Recommendation:

We recommend that the principal review the deposit reconciliations to verify that pre-numbered receipts agree to the actual deposit and investigate any breaks in sequence.

Procedure 3:

Purchasing:

1. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Using this population, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings:

- (1) We noted that the executive secretary has the authorization to sign checks.

Recommendation:

We recommend segregation of the duties of signing checks, recordkeeping of purchases and the depositing of funds to the bank. Although CIS requires the signature of two authorized check signers, it is best practice to segregate these duties. For the items tested, we did not note the secretary's signature on the canceled checks.

- (2) We noted one instance where by the supporting documentation did not indicate approval by the principal.

Recommendation:

We recommend that the school follow the School System's policy in regard to approval of purchases.

2. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Finding:

We noted that the secretary is responsible for adding vendors to the accounting system and is responsible for processing payments.

Recommendation:

We recommend that the school develop a vendor approval process which includes a vendor approval form signed by the principal and a requirement of receiving and attaching vendor completed IRS form W-9 to the vendor approval form prior to any payment being issued.

3. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Finding:

We noted that the executive secretary has the authorization to sign checks.

Recommendation:

We recommend segregation of the duties of signing checks, recordkeeping of purchases and the depositing of funds to the bank. Although CIS requires the signature of two authorized check signers, it is best practice to segregate these duties. For the items tested, we did not note the secretary's signature on the canceled checks. Also, all purchases require the principal's approval.

4. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Finding:

We noted that the executive secretary has the authorization to sign checks and can process and print checks for payment.

Recommendation:

We recommend segregation of the duties of signing checks, recordkeeping of purchases and the depositing of funds to the bank. Although CIS requires the signature of two authorized check signers, it is best practice to segregate these duties. For the items tested, we did not note the secretary's signature on the canceled checks. Also, all purchases require the principal's approval and the principal reviews the bank statements prior to the secretary receiving it to prepare the bank reconciliation.

5. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A signature stamp or signature machine is not used so this procedure is not applicable.

Procedure 4:

Transfers between activity funds:

1. Select 10 transfers between funds to ensure properly approved and for the established purposes and conditions of the fund.

Finding:

For the items tested, there were no Intra-School Request for Transfer of Funds forms completed as per the School System's policy. The secretary indicated that transfers are verbally approved. According to the School System's policy, school activity fund transfers must be documented by completion of the Intra-School Request for Transfer of Funds approved by principal.

Recommendation:

We recommend that the school follow the School System's policy in regard to transfer of funds.

Procedure 5:

Petty Cash:

1. Review petty cash reconciliation for one time period to ensure petty cash expenditures are in compliance with purposes and conditions of the fund.

Not applicable as petty cash is not used.

2. Verify that appropriate safeguards are maintained for petty cash funds.

Not applicable as petty cash is not used.

Procedure 6:

Cash in Bank:

1. Obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a. Bank reconciliations have been prepared.
 - b. 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.

- c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Finding:

On the June 30, 2017 bank reconciliation, there were several items outstanding for more than 6 months and it did not appear there was any documentation reflecting they had been researched.

Recommendation:

We recommend that the school research and document results for items outstanding for more than 6 months.

2. Select two (2) months bank reconciliations to perform the following:
 - a. Reconcile book balances to bank statements to accounting records.
 - b. Total/sum reconciling items.
 - c. Investigate any long-outstanding reconciling items - deposits or checks.
 - d. Verify that reconciliations are being done timely.
 - e. Verify that reconciliations are submitted to the main office.

No exceptions noted.

Procedures 7:

Fixed Assets:

1. Obtain a copy of the detail fixed asset listing which includes identifying asset tag numbers.

We obtained the above listing.

2. Select five assets on the detail fixed asset listing to find the asset at the school location.

No exceptions noted.

3. Select five assets at the school location to trace asset using the asset tag number to the detail fixed asset listing.

No exceptions noted.

Management Response to Findings:

The management of the school system will take the finding and recommendations under advisement. We will review and take appropriate actions where applicable.

CENTRAL COMMUNITY SCHOOL SYSTEM

AGREED UPON PROCEDURES – TANGLEWOOD ELEMENTARY SCHOOL SCHEDULE B

JULY 1, 2016 - JUNE 30, 2017

Hannis T. Bourgeois, LLP was on site at Tanglewood Elementary School to conduct agreed upon procedures. The agreed-upon procedures performed and the findings are as follows:

Procedure 1:

Obtain the following information related to procedures and processes for Tanglewood Elementary School activity funds:

1. Organizational chart including the identification of persons responsible for initiating, preparing, and approving financial information.
2. Listing of persons authorized to do the following:
 - a. Deposits/Receipts:
 - i. Reconciling deposits to participants on gate tickets.
 - ii. Preparing deposit slip.
 - iii. Who makes the deposit at the bank.
 - iv. Who receives the deposit.
 - v. Who records the deposit in the accounting system (Active Network).
 - vi. Who reviews and approves step 2.b.v.
 - b. Expenditures:
 - i. Initiating transactions.
 - ii. Approving transactions.
 - iii. Placing orders.
 - iv. Preparing checks.
 - v. Signing checks.
 - vi. Recording transactions in accounting records.
 - vii. Who approves and adds vendors to vendor listing. Provide a listing of the approved vendors.
 - c. Bank Reconciliations:
 - i. Who receives, opens, and approves bank statement prior to the reconciliation process.
 - ii. Who reconciles the bank statement.
 - iii. Who reviews and approves the bank reconciliation.
3. Who reviews and approves the balances in each activity fund.

We were able to obtain the above listed information. Step 2(a)(i) is not applicable as the school does not host events for which gate tickets are sold.

Procedure 2:

Test of Deposits/Receipts:

1. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report 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 (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

We noted that each person responsible for collecting cash does not share share the same cash register or drawer with another employee. Teachers are each given their own cash bag for collections.

We noted that the same individual (the executive secretary) who prepares and takes the deposits to the bank also records the transaction into the accounting records. As a mitigating control, it is a policy of the schools for the teacher/sponsor turning in the funds to the executive secretary to also turn in a Deposit Transmittal Form which states the amount of funds turned over. The teacher/sponsor should receive a receipt from the executive secretary after the money is deposited in the bank. Also as a mitigating control, the principal receives the bank statement unopened and signs off before the executive secretary prepares the monthly bank reconciliation. In addition, the principal reviews and signs off on the bank reconciliation.

2. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Finding:

We noted that the school secretary generates a pre-numbered receipt from the accounting software for each Deposit Transmittal Form received. The teacher is given a copy of the pre-numbered receipt. When the secretary prepares the deposit, she reconciles the pre-numbered receipts to the deposit. However, it appears that no one is reviewing the deposit reconciliation prepared by the secretary which reconciles amounts collected to the actual deposit.

Recommendation:

We recommend that the principal review the deposit reconciliations to verify that pre-numbered receipts agree to the actual deposit and investigate any breaks in sequence.

3. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- a. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
- b. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings:

1. We noted nine instances where deposits were not made within one day of collection. In one instance, money was collected four days prior to deposit. The days between collection and deposit for the nine instances are as follows: two, three, three, three, five, five, six, eleven, and thirteen.

Recommendation:

We recommend that money collected should be deposited on a daily basis whenever possible.

2. We noted one instance where the collection date was not documented in the deposit support.

Recommendation:

We recommend that the collection date be documented for all collections.

3. We noted one instance, relating to cash receipts for Dippin' Dots, where the supporting documentation for the deposit was unable to be located.

Recommendation:

We recommend that supporting documentation be maintained for all deposits per the School System's policy.

4. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties) by a person who is not responsible for collections.

Finding:

We noted that the school secretary generates a pre-numbered receipt from the accounting software for each Deposit Transmittal Form received. The teacher is given a copy of the pre-numbered receipt. When the secretary prepares the deposit, she reconciles the pre-numbered receipts to the deposit. However, it appears that no one is reviewing the deposit reconciliation prepared by the secretary which reconciles amounts collected to the actual deposit.

Recommendation:

We recommend that the principal review the deposit reconciliations to verify that pre-numbered receipts agree to the actual deposit and investigate any breaks in sequence.

Procedure 3:

Purchasing:

1. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Using this population, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings:

1. We noted that the executive secretary has the authorization to sign checks and was the second signer on 16 of the 25 checks tested.

Recommendation:

We recommend segregation of the duties of signing checks, recordkeeping of purchases and the depositing of funds to the bank. Although Tanglewood requires the signature of two authorized check signers, it is best practice to segregate these duties.

2. We noted one instance where by the supporting documentation did not indicate approval by the principal.

Recommendation:

We recommend that the school follow the School System's policy in regard to approval of purchases.

3. We noted two instances where there was no invoice or receipt in the supporting documentation.

Recommendation:

We recommend that the school maintain all supporting documentation for disbursements.

2. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Finding:

We noted that the secretary is responsible for adding vendors to the accounting system and is responsible for processing payments.

Recommendation:

We recommend that the school develop a vendor approval process which includes a vendor approval form signed by the principal and a requirement of receiving and attaching vendor completed IRS form W-9 to the vendor approval form prior to any payment being issued.

3. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Finding:

We noted that the executive secretary has the authorization to sign checks.

Recommendation:

We recommend segregation of the duties of signing checks, recordkeeping of purchases and the depositing of funds to the bank. Although Tanglewood requires the signature of two authorized check signers, it is best practice to segregate these duties.

4. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Finding:

We noted that the executive secretary has the authorization to sign checks and can process and print checks for payment.

Recommendation:

We recommend segregation of the duties of signing checks, recordkeeping of purchases and the depositing of funds to the bank. Although Tanglewood requires the signature of two authorized check signers, it is best practice to segregate these duties.

5. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A signature stamp or signature machine is not used so this procedure is not applicable.

Procedure 4:

Transfers between activity funds:

1. Select 10 transfers between funds to ensure properly approved and for the established purposes and conditions of the fund.

Finding:

For the items tested, there were no Intra-School Request for Transfer of Funds forms completed as per the School System's policy. The secretary indicated that transfers are verbally approved. According to the School System's policy, school activity fund transfers must be documented by completion of the Intra-School Request for Transfer of Funds approved by principal.

Recommendation:

We recommend that the school follow the School System's policy in regard to transfer of funds.

Procedure 5:

Petty Cash:

1. Review petty cash reconciliation for one time period to ensure petty cash expenditures are in compliance with purposes and conditions of the fund.

Not applicable as petty cash is not used.

2. Verify that appropriate safeguards are maintained for petty cash funds.

Not applicable as petty cash is not used.

Procedure 6:

Cash in Bank:

1. Obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a. Bank reconciliations have been prepared.
 - b. 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.

- c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Finding:

On the June 30, 2017 bank reconciliation, there were several items outstanding for more than 6 months and it did not appear there was any documentation reflecting they had been researched.

Recommendation:

We recommend that the school research and document results for items outstanding for more than 6 months.

2. Select two (2) months bank reconciliations to perform the following:
 - d. Reconcile book balances to bank statements to accounting records.
 - e. Total/sum reconciling items.
 - f. Investigate any long-outstanding reconciling items - deposits or checks.
 - g. Verify that reconciliations are being done timely.
 - h. Verify that reconciliations are submitted to the main office.

No exceptions noted.

Procedures 7:

Fixed Assets:

1. Obtain a copy of the detail fixed asset listing which includes identifying asset tag numbers.

We obtained the above listing.

2. Select five assets on the detail fixed asset listing to find the asset at the school location.

No exceptions noted.

3. Select five assets at the school location to trace asset using the asset tag number to the detail fixed asset listing.

No exceptions noted.

Management Response to Findings:

The management of the school system will take the finding and recommendations under advisement. We will review and take appropriate actions where applicable.