

LOUISIANA SCHOOLS FOR THE
DEAF AND VISUALLY IMPAIRED

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 7, 2017

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Schools for the Deaf and Visually Impaired

June 2017

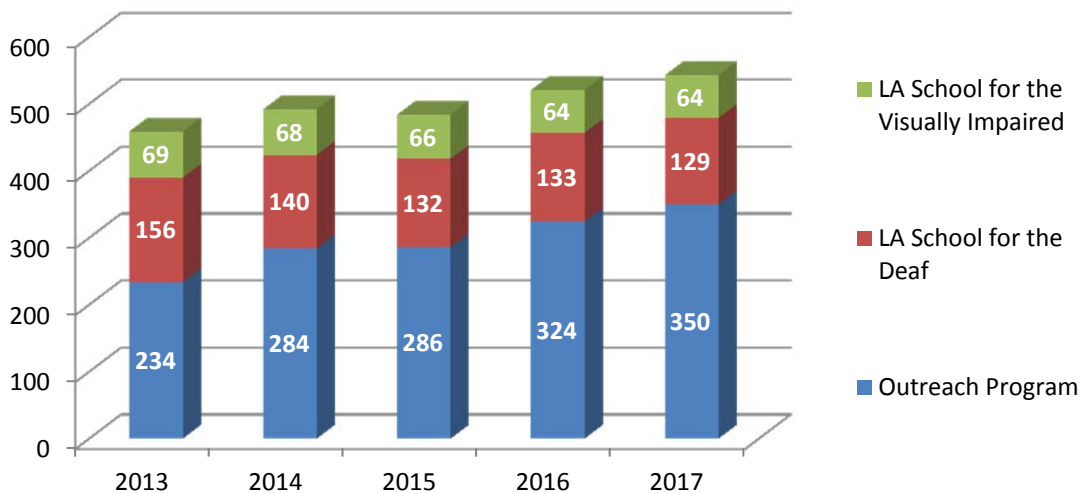
Audit Control # 80170019

Introduction

The primary purpose of our procedures at the Louisiana Schools for the Deaf and Visually Impaired (LSDVI) was to evaluate certain internal controls that LSDVI uses to ensure compliance with applicable laws and regulations and to provide accountability over public funds.

LSDVI, located in Baton Rouge, provides residential and/or day elementary and secondary educational services to children ages 3-21 who are deaf/hard-of-hearing and/or visually impaired. Students ages birth through three are served in the natural environment of their homes through LSDVI's Outreach program. Exhibit 1 shows student enrollment over the past five years.

Exhibit 1
Student Enrollment - Fiscal Years 2013 through 2017



Source: Prepared by legislative auditor's staff using information obtained from LSDVI

Results of Our Procedures

We evaluated LSDVI'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 LSDVI. Based on the documentation of LSDVI'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 inventory, student activity funds, meal revenue, payroll expenditures, LaCarte purchasing card and travel expenditures, and professional services contracts.

Current-year Finding

Inadequate Controls over Inventory

LSDVI did not have adequate controls in place to ensure that complete and accurate inventory records were maintained over the food services inventory and the student vending inventory. Food services employees did not fully comply with internal policies related to the recording of food inventory and did not have procedures in place to reconcile physical inventory counts to the inventory records. Separately, the Louisiana School for the Visually Impaired (LSVI) did not have written policies and procedures in place related to inventory for the student vending program. The absence of good internal controls over inventory increases the risk of theft and waste, and prevents management from properly managing and monitoring inventory levels.

Our review of food services inventory and student vending inventory noted the following:

- For 20 items from the food services inventory listings, we performed a physical count of the items. Four (20%) items could not be reconciled back to the count included on the inventory listings.
- For 15 items selected from the food services stockroom and coolers, we compared the count on-hand to the count on the inventory listings. Six (40%) items selected were not included on the inventory listings. Also, the on-hand count for two (13%) items could not be reconciled back to the inventory listing.
- For food services inventory, the unit of measure used to track and record items did not always align with the units used or counted during the physical inventory. Also, items pulled from inventory and not used were returned to the stockroom or coolers but were not added back to the inventory records. These returned items were counted during the subsequent physical inventory.
- A review of controls over inventory for the student vending program at LSVI disclosed inaccurate inventory records, including negative on-hand counts for numerous items. Although LSVI had a method for tracking vending inventory, it was not accurately recording the amounts purchased and used, and had no supervisory review to provide oversight.

Good internal controls over inventory include maintaining complete and accurate inventory records, including a method for accurately accounting for items as they are purchased and used, and reconciling physical inventory counts to inventory records.

Management should emphasize established policies through training and guidance; establish written policies and procedures for the student vending program inventory; ensure that all

inventory policies include procedures for reconciling physical inventory counts to the inventory records and providing supervisory review and approval; and ensure that inventory records are accurate and complete. Management concurred in part with the finding, disagreeing that some items could not be reconciled back to the inventory listing, and provided a plan of corrective action (see Appendix A).

Additional Comments: The auditor observed LSDVI Food Services staff conduct their food stock physical inventory and counted the items along with LSDVI staff to verify the count. Conducting the physical inventory is the responsibility of LSDVI, not the auditor. Food Services staff counted all items in the stockroom and coolers. When differences were noted by the auditor, LSDVI staff explained that some of the items previously pulled from inventory were not fully used and were returned to the stockroom or cooler. As noted in LSDVI's response, not using the appropriate unit of measure to track and record items can result in several different counts for an item, thereby making it difficult to determine the exact count of items on hand.

Food Services and Student Vending Inventory

LSDVI's food services inventory balance consists of non-perishable food and supplies kept in a stockroom and perishable food and supplies kept in coolers and freezers. LSDVI's student vending program inventory balance consists of snacks and drinks kept in a separate stockroom that are used to stock vending machines located around the campus. We obtained an understanding of LSDVI's controls over food services inventory and student vending inventory, and performed procedures to determine if LSDVI maintained complete and accurate inventory records. Based on the results of our procedures, LSDVI did not have adequate controls in place to ensure that complete and accurate inventory records were maintained (see Current-year Finding section).

Student Activity Funds

Student activity funds (SAF) are monies collected by students, school personnel, parents, and/or groups for school-related purposes. LSDVI maintains two bank accounts, one for LSDVI and one for the Louisiana School for the Deaf, to manage SAFs for each school. Each bank account is divided into separate funds that are used to account for monies collected for specific purposes. We obtained an understanding of LSDVI's controls over SAFs and performed procedures on collections and disbursements for selected funds. We also reviewed monthly reconciliations for selected funds and bank reconciliations for each SAF bank account. Based on the results of our procedures, LSDVI had adequate controls in place to ensure that SAF transactions were properly authorized, accurately recorded, and adequately supported.

Meal Revenue

Visitors wishing to eat in the LSDVI cafeteria must purchase a meal ticket from the LSDVI Business Office and present it to cafeteria staff to receive the meal. LSDVI employees scan their badge each time they eat in the LSDVI cafeteria, and meals are deducted from the employee's paycheck the following month. We obtained an understanding of internal controls over visitor meal tickets and employee meal deductions, and reviewed selected transactions and monthly reconciliations. Based on the results of our procedures, LSDVI had adequate controls in place to ensure that revenue for visitor meal tickets was properly collected; meals served to employees were properly deducted from employees' pay checks; meal revenue was reconciled to meals served per cafeteria records; and meal revenue was properly recorded in the financial records.

Payroll Expenditures

Salaries and related benefits made up 84% of LSDVI's fiscal year 2016 expenditures. We obtained an understanding of LSDVI's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, LSDVI had adequate controls in place to ensure timely review and approval of employee time statements and leave requests; employees were paid the amounts authorized; and leave earned and taken was properly accounted for.

LaCarte and Travel Expenditures

LSDVI participates in the State of Louisiana's LaCarte purchasing card (P-Card) and Controlled Billed Account (CBA) programs. We obtained an understanding of controls over the P-Card and CBA programs, and 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 and CBA purchases were properly authorized, made for proper business purposes, accurately recorded, and adequately supported.

Professional Services Contracts

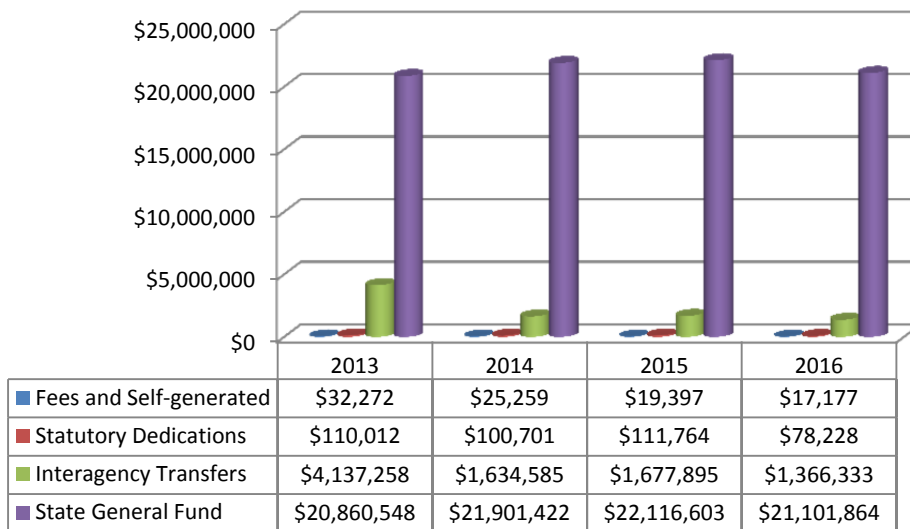
We obtained an understanding of controls over professional services contracts and examined 10 contracts for compliance with state law. Based on the results of our procedures, LSDVI had adequate controls in place to ensure that professional services contracts were properly authorized and administered in accordance with state law, and contract expenditures were made for proper business purposes and were accurately recorded in the financial records.

Comparison of Activity between Years

We compared the most current and prior-year financial activity using LSDVI’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.


LSDVI is primarily funded with state General Fund monies. As shown in Exhibit 2, LSDVI’s revenue has remained fairly consistent from fiscal years 2013 through 2016.

Exhibit 2
Revenue - Fiscal Years 2013 through 2016



Source: Integrated Statewide Information System Reports

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

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

JP:CRV:WDG:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSE



Louisiana Schools for the Deaf and Visually Impaired

Business Office and Human Resources

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May 9, 2017

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Audit Finding
Inadequate Controls over Inventory – Food Services Department

Dear Mr. Purpera:

This letter serves to provide a formal response to the above-referenced audit finding presented in your letter dated April 25, 2017.

Summary Response to Finding:

LSDVI **concurs in part** with this finding and recommendation.

Internal Controls that are currently in place over Food Service Department inventory include the following:

- Freezers/Coolers/Stockroom Pantry in the kitchen remain locked and are accessible to designated Food Service Supervisors only.
- Items are received into Food Service inventory by designated personnel only and are received according to approved purchase orders and transfers-in from the campus warehouse according to approved warehouse requisitions.
- Quantities pulled from Food Service Department inventory are logged on a Stores Requisition ("Pull Sheet") and are initialed by the employee removing the item from inventory. One requisition is completed for each operating day. Daily Meal Production Worksheets document how the items pulled from inventory were used.
- Snack requests are used to document quantities pulled from inventory to fill orders for student snacks that are provided at various times.
- The Food Service Manager maintains an inventory binder and records all decreases to inventory (from pull sheets, snack requests and discard sheets) and records all increases to inventory (from warehouse requisitions, vendor invoices and receiving documentation.)
- Physical counts are performed periodically (monthly, quarterly, annually) by two people. The Food Service Manager maintains inventory worksheets with quantities on-hand in the Food Service Department and in the Warehouse.
- Spoiled/damaged goods are shown to the Food Service Director/Manager and are recorded on a Damaged or Discarded Product Log. The Food Service Director/Manager will determine how the product will be disposed of.

- If the loss is due to infestation, spoilage or damage, the Office of Public Health is contacted.
- If a loss occurs as a result of theft, the proper law enforcement agency will be contacted and an investigation will take place.

Issues for corrective action:

- Prior to this audit, quantities pulled for student snacks on Friday bus rides home were not being documented on a pull sheet or on a snack request. All other snacks were being documented on a snack request. Since this audit, Food Service has begun documenting the snacks that are pulled for regular Friday bus rides home.
- When counting quantities pulled from Food Service Department inventory, the current procedure for documenting the amounts pulled is to round to the nearest case/half-case. Rounding results in less precise (but not inaccurate) inventory records. Effective July 1, 2017, LSDVI will begin tracking inventory items at the smallest appropriate unit level.
- LSDVI's written procedures state that the Food Service Director prepares a report from the inventory worksheets showing beginning inventory, purchases, amounts used, ending inventory and unit price. This is a reconciliation which was done at least annually, prior to the resignation of LSDVI's last full-time Food Service Director. Since our last audit, the Food Service Director position has been vacant and LSDVI shared the services of a Food Service Director employed with the LA Special Education Center (LSEC) for approximately one year. During this time, the reconciliation report was not completed. A full reconciliation will be completed for the fiscal year ending June 30, 2017. LSDVI will also implement inventory tracking software to facilitate reconciliation of on-hand inventory at units of measure smaller than a case.

Detailed Response to Findings:

LSDVI concurs with the auditor's finding that the unit of measure used to track and record items did not always align with the units used. It has been the practice of Food Service to count and record inventory purchased and items pulled from inventory rounded by case/half-case, rather than by the smallest unit of measure for each particular inventory item (i.e. can, dozen, etc.) Discrepancies between the auditor's count and inventory records are a result of converting historical beginning balances from cases to a smaller unit based on calculation from the inventory records alone. Because LSDVI's inventory records are recorded by case/half-case, it is not possible to determine historical balances at smaller units of measure without tracing actual usage through the production records. With the exception of one item in the sample, discrepancies noted in this audit amounted to no more than half a case for each item sampled; these discrepancies can be explained by Food Services' practice of rounding to the nearest case/half-case. Going forward, LSDVI will begin tracking inventory items at the smallest appropriate unit level.

The auditor states that items were *"pulled from inventory and not used were returned to the stockroom or coolers, but were not added back to the inventory records. These returned items were counted during the subsequent physical inventory."* It is correct that certain items were pulled from inventory and later placed back in the cooler but not added back to inventory. Based on the way that the kitchen operates daily, these items should not have been added back to the inventory. As an example, assume that 2 lbs. of a particular spice is pulled and the full 2 lbs. is not used in that day's recipes. It is customary that Food Service would store the partial quantity of that spice in the kitchen, rather than returning it to the stockroom and adding it back to the inventory records. This partial unit is stored separately and would not be recounted during a periodic physical inventory done by Food Service staff. The same is true for

items that need to be stored in a cooler, except in the case when the school is preparing to close for an extended period of time. The main coolers/freezers in the kitchen are supported by back-up generators to prevent loss during a power outage. When the school is closed, back-up generators are essential to avoid inventory loss since staff is not always on campus to address power outages timely. During this audit, the auditor counted a partial case of Cheese Sticks in the main cooler which had been moved from the serving line coolers (left-overs) just prior to Mardi Gras, as the school would be closed for Mardi Gras week.

Sample selected from Food Services' stockroom & coolers:

LSDVI concurs with the auditor's finding that 6 of the 15 items selected were not included on the inventory listings. Certain items (i.e. produce, yogurt, milk) which are received and turned over weekly are not currently included on the inventory listings and are not currently marked on a "pull sheet" when pulled from the cooler.

The six items sampled that were not included on the inventory listing are as follows: lettuce, apples, cherry tomatoes, individual orange juice, yogurt 44oz, and individual milks. Lettuce, apples, cherry tomatoes, juice and yogurts are ordered according to the weekly menu. Individual milk cartons are ordered twice per week and the daily usages are recorded on the Food Service Plate Count Reconciliation Sheet after each meal. Any items that are spoiled or recalled by USDA are documented on a discard/disposal sheet. Since this audit, LSDVI has begun documenting all items pulled from inventory on a pull sheet or snack request, depending on whether the item is to be used in meal production or to be sent out as snack.

LSDVI does not concur with the auditor's finding that 2 of the 15 items selected could not be reconciled back to the inventory listing. The two items in question are as follows:

1. USDA Carrots

LSDVI purchases canned goods by the case, and the case size equals 6 cans per case.

LSDVI's beginning balance as of 2/24/17 for USDA Carrots was provided to the auditors as requested. The balance provided by LSDVI was 4.5 cases. The auditor stated that she converted this beginning balance from cases to cans, based on calculation (not physical count), using 6 cans per case. Note that, because of Food Services' practice of rounding to the nearest case/half-case, it was not possible for the auditor to ascertain the actual number of USDA Carrots (in cans) that were on-hand at a date in the past, based on inventory records alone. Daily production records and purchase invoices are necessary to determine the exact number of cans that should be on-hand at any given date, because LSDVI's food service department inventory is rounded when items are pulled from inventory. For example:

- 27 cans / 6 cans per case = 4.5 cases
- 28 cans / 6 cans per case = 4.5 cases
- 29 cans / 6 cans per case = 4.5 cases

All of the above examples would have been counted by Food Service staff as 4.5 cases, not 5 cases, to avoid overstating the amount on-hand and available for immediate use.

Below is the auditor's exception:

Sample #	Item	Count from Food Service Monthly Report	IN	Out	Calculated	Physical Inventory Count on 3/9/17
5	USDA Carrots	27	cans	cannot determine		25 cans

For this audit, the Food Services Manager researched the production records and purchase invoices to confirm that the 2/24/17 beginning balance was actually 29 cans, not 27 cans.

- Meal Production worksheets are typed up on Fridays, prior to the week the menus will be served; as needed, revisions are written on the production sheets (for example, if an item was substituted with another item). The Food Services Manager provided explanation and documentation, including meal production records for 3/8/17, to the auditor showing that it was initially planned to use 10 cans of USDA carrots but on the production date, staff pulled only 4 cans of USDA carrots. The Food Services Manager realized there was a case of frozen carrots in the freezer that needed to be used, to avoid spoilage/expiration. The pull sheet and the meal production worksheet were then corrected to reflect that one case of frozen carrots was substituted for 6 cans of USDA carrots and only 4 cans of USDA carrots were pulled.
- The only IN/OUT activity for USDA carrots inventory from 2/24/17 through the physical count date of 3/9/17 was the 4 cans pulled for the 3/8/17 lunch meal. Thus, a beginning balance of 29 cans, less 4 cans pulled on 3/8/17 would leave 25 cans in inventory, which agrees with the actual physical count on 3/9/17. Without tracing the actual usage of USDA carrots through each of the daily production worksheets, it was not possible for the auditor to determine the 2/24/17 beginning balance in cans, based on inventory records alone.

2. **Eggs**

LSDVI purchases eggs by the case, and the case size equals 15 dozen eggs per case. The cases are arranged in 6 flats per case, with 2.5 dozen on each flat.

LSDVI's beginning balance as of 2/24/17 was provided to the auditors as requested. The balance provided by LSDVI was 7 cases. The auditor converted this beginning balance from cases to dozens, based on calculation (not physical count), using 15 dozen per case. Note that, because of Food Services' practice of rounding to the nearest case, it was not possible for the auditor to ascertain the actual number of eggs (*in dozens*) that were on-hand at a date in the past, based on inventory records alone.

Below is the auditor's exception:

Sample #	Item	Count from Food Service Monthly Report	IN	Out	Calculated	Physical Inventory Count on 3/9/17	
11	Eggs (15 dozen/case)	105	dozen	-	30	75	87.5 dozen

The physical count on 3/9/17 showed more eggs on hand than the auditor's calculated total. Food Service typically pulls one case of eggs for a breakfast meal. Two cases of eggs are typically pulled when eggs are served at the Supper meal because students are allowed "second helpings" at the supper meal.

On 2/1/17, two (2) cases of eggs were pulled because eggs were being served at the supper meal, as documented on the weekly menu that is posted. One full case (15 doz) and a partial case (2.5 doz) were actually used, as shown on the production records for 2/1/17. The remainder of the second case (17.5 doz) was put back in the cooler and the partial case was not added back to inventory. As explained above, it is not Food Services' practice to add partial cases back to the inventory records but to set aside these remainders to be used first before pulling additional cases from inventory, the next time the item is needed.

LSDVI staff provided explanation and documentation, including meal production records for 2/1/17, to the auditor showing that 17.5 dozen eggs were used for Supper and, the additional 12.5 dozen was due to a partial case being returned to the cooler.

Sample selected from food services inventory listings:

Below are the auditor's exceptions:

Sample #	Inventory Listing Date	Item	Count from Food Service Monthly Report	IN	Out	Calculated	Physical Inventory Count on 3/9/17
1	6/30/16	Oranges, Mandarin, 6/10/cs	4 cans	198	170	32	45 cans
3	6/30/16	Cookies, Animal Crackers, 72/1 oz pkg/cs	288 packs	504	530	262	-
18	2/24/17	USDA Cheese, Sticks (360/case)	1 cases	-	-	1	1.25 cases
19	2/24/17	USDA Beans, Green (#10 cans)	3.5 cases	cannot determine			3 cases

LSDVI concurs with the auditor's finding that discrepancies exist with two of the items sampled.

1. Oranges, Mandarin

Food Service staff, rather than LLA staff did the actual counting on 3/9/17 and LLA staff documented those counts. According to the Food Service Manager (who participated in physical count), unopened cases were counted as full cases and individual cans that were out on a rack were counted as cans. However, Food Service staff did not pull all individual cans off the rack, nor could they clearly see the cans in the middle of the row without pulling some of the cans off from each end. One Food Service staff member stood at each end of the racks and whenever they saw Mandarin Oranges, they assumed the whole row was mandarin oranges. It is possible that some other item may have been misplaced in the row and not all cans in that row were actually Mandarin Oranges. This could easily account for a 0.5 case variance, when cans are converted to cases. The auditor did not ask Food Service staff to pull cans from the racks to verify the labels on each can, nor did the LLA staff give instructions on how to count (i.e. cans/cases).

LSDVI requested that this item be re-counted or that the item be removed from the audit sample.

2. Cookies, Animal Crackers

Prior to this audit, LSDVI was not documenting snacks provided for the Friday bus rides home. However, LSDVI was able to account for, and provide documentation for, 258 (or 98%) of the 262 packets that should be on-hand, per the auditor’s calculation.

Begin Bal	Received	Used	Calculated Remaining Bal	Reason for Usage	LSDVI Documentation Available
288 packs	504				
		238		Aug 2016 snacks/tutoring	Snack Request
		201		Sep 2016 snacks/tutoring	Snack Request
		95		Oct 2016 snacks/tutoring	Snack Request
		4		Nov 2016 snacks/tutoring	Snack Request
		48		Feb 2016 snacks/tutoring	Snack Request
		21		Mar 2016 snacks/tutoring	Snack Request
		152		Animal crackers were put in the going home bags on one (1) Friday of each month. (Aug 2016 – March 2017, 8 months * 19 packets = 152 packets)	Usage not documented on a pull sheet or snack request. Can be calculated based on the number of students that ride the Bossier/Monroe routes (19 total) and the number of Fridays that Animal Crackers are sent.
		29		Supper bag meals (for students participating in student activities which do not allow them to be back in time to eat supper in the cafeteria.	Snack Request
		4		Unreconciled variance	None available. Note: With prepackaged snack items, occasionally some packages may be split/opened when they arrive. Food Service cannot serve these items and must dispose of any that are opened upon arrival.
288	504	792	0		

Since this audit, the Food Service department has begun recording all snack items on the pull sheet as they are being used.

LSDVI does not concur with the auditor’s finding that a discrepancy exists between the inventory records and the 3/9/17 physical count for the following items:

1. USDA Cheese, Sticks

Per the auditor, the physical inventory count at 3/9/17 was 1.25 cases. The Cheese stick inventory log as of the same date shows only 1 case and agrees with the auditor’s calculated amount on-hand.

Cheese sticks are packaged 360/box. Food Service pulls 180 servings (half a case) per meal in which cheese sticks are served and the cheese sticks are placed in the coolers behind the serving line. Less than 180 students were served cheese sticks for a meal during the week immediately prior to Mardi Gras, and there were leftovers. Thus, before leaving for the Mardi Gras break, Food Service staff moved the leftover cheese sticks to the cooler supported by the backup generated in case the power went out. This is standard procedure during LSDVI’s extended closures. The

additional 1/4 case of cheese sticks counted during the auditor's physical count on 3/9/17 is accounted for by these leftovers. As explained earlier, partial case would not have been added back to inventory, but would be used first the next time Cheese sticks were on the menu. However, LSDVI does acknowledge that the leftovers should have been clearly marked since these leftovers had to be moved to the same cooler containing inventory which was still reflected in the inventory records.

2. USDA Beans, Green

USDA items must be stored separately from purchased goods. LSDVI's Food Service stockroom has limited space for USDA products so it is LSDVI's practice to leave USDA cans in the case and not pull out the individual cans and put on the can racks, as is the usual process for purchased canned goods.

According to the Food Services Manager, the actual physical count on 3/9/17 was 17 cans, which is one (1) can short of 3 full cases. (Canned goods are delivered in cases of 6 cans per case.) Food Service staff, rather than LLA staff did the actual counting on 3/9/17 and LLA staff documented those counts. The auditor stated that *"When partial cases were counted, auditor recorded the count as cans. The physical count recorded by the auditor was 3 cases, which equates to 18 cans. Several times throughout the count, LLA staff asked FS staff how different items would be recorded on inventory (i.e., cans vs. case) so that the auditor would later be able to reconcile the count to inventory records."* Because Food Service staff is accustomed to rounding by case, it is entirely possible that Food Service staff called out "3 cases" when performing the physical count instead of "2 cases, 5 cans".

Tests results provided by the auditor indicate that this item cannot be reconciled due to contradicting support provided on 3/13/17 and 3/22/17. This apparent discrepancy is explained below:

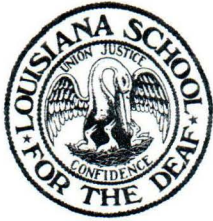
- Due to all of the discussion that occurred during this audit about cans versus cases, the Food Services Manager began recording inventory by cans instead of cases. On 3/22/17, the Food Services Manager provided the LLA with a copy of the USDA Green Beans inventory log which showed the quantities converted from cases to cans. Beginning with the warehouse delivery on 2/8/17, the entries are shown in Cans rather than cases on the 3/22/17 support, whereas the 3/13/17 support shows these same entries in Cases. The reason 2/8/17 was selected as the starting date to beginning tracking by Can is that the quantity on-hand was zero immediately prior to the warehouse delivery on 2/8/17.

The Food Services Manager will be responsible for corrective action related to the above finding and the anticipated date of completion is June 30, 2018.

Sincerely,



Ralph Thibodeaux, Superintendent
Louisiana Special Schools



Louisiana Schools for the Deaf and Visually Impaired

Business Office and Human Resources

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May 9, 2017

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Audit Finding
Inadequate Internal Control over LSVI Student Vending Program

Dear Mr. Purpera:

LSVI concurs with the audit finding presented in your letter dated April 25, 2017. In order to remedy these findings, LSVI will be formulating a corrective action plan. LSVI is in the process of hiring a new director. The current Director, Bobby Simpson, will be retiring June 5, 2017. The corrective action plan will have input from the new director, therefore, will not be completed until after that person is hired. LSDVI's Superintendent and Business Manager will also have input into the corrective action plan. We are currently in the process of evaluating retail inventory software programs to find an electronic system to assist us with maintaining our inventory.

Our corrective action plan will include establishing and enhancing inventory controls for the following:

- Purchase and receipt of all vending program items.
- Maintaining a physical master inventory and records of that inventory.
- Stocking of the vending program machines located on the grounds of LSDVI.
- Inventory stock assigned to those machines.
- Disposal of inventory both in the master inventory and the machines.
- Depositing of funds received from the vending program machines.

It is anticipated that the corrective action plan will be completed by Fall 2017.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ralph Thibodeaux", with a long, sweeping underline.

Ralph Thibodeaux
Superintendent

APPENDIX B: SCOPE AND METHODOLOGY

We conducted procedures at the Louisiana Schools for the Deaf and Visually Impaired (LSDVI) for the period from July 1, 2015, through May 24, 2017. Our objective was to evaluate certain internal controls LSDVI 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 LSDVI's annual fiscal report, and accordingly, we do not express an opinion on that report. LSDVI'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 LSDVI'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 LSDVI.
- Based on the documentation of LSDVI's controls and our understanding of related laws and regulations, we performed procedures on selected controls relating to inventory, student activity funds, meal revenue, payroll expenditures, LaCarte purchasing card and travel expenditures, and professional services contracts.
- We compared the most current and prior-year financial activity using LSDVI's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from LSDVI 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 LSDVI and not to provide an opinion on the effectiveness of LSDVI'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.