

DEPARTMENT OF EDUCATION  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 21, 2015

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

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

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Audit Control # 80150031

## Department of Education

December 2015

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## Introduction

As a part of our audit of the state of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2015, we performed procedures at the Department of Education (DOE) to provide assurances on financial information that is significant to the state's CAFR; evaluate the effectiveness of DOE's internal controls over financial reporting and compliance; and determine whether DOE complied with applicable laws and regulations. In addition, we determined whether management has taken action to correct the finding reported in the prior year.

DOE is a component of the state of Louisiana created within the executive branch of government. DOE is responsible for overseeing Louisiana's public school system for grades Pre-Kindergarten through 12. DOE's mission is to ensure that every Louisiana student is on track to attain a college degree or a professional career.

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## Results of Our Procedures

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### Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the DOE management letter dated November 26, 2014. We determined that the prior-year finding related to ineffective internal audit function has not been resolved by management and is addressed again in this report.

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### Current-year Finding

#### Ineffective Internal Audit Function

For the second consecutive year, DOE did not have an effective internal audit function, increasing the risk that errors and/or fraud could occur and remain undetected.

Although DOE maintains a Bureau of Internal Audit (BIA) section consisting of a director, a staff auditor, and a student worker, our procedures disclosed that no internal audit reports were issued during fiscal year 2015, and no external quality assurance assessments have been performed on the BIA since 2006.

An agency with an appropriation level of \$30 million or more is required by Act 15 of the 2014 Regular Session of the Louisiana Legislature to have an internal audit function. Considering DOE reported assets of approximately \$235 million and revenues of approximately \$5.1 billion, an effective internal audit function is important to ensure that DOE's assets are safeguarded and management's policies and procedures are uniformly applied.

DOE management did not provide sufficient oversight of the BIA to ensure that adequate internal audit activities were performed and documented. DOE management should ensure that internal audit activities are performed in accordance with the completed risk assessment and established audit plan in efforts to improve the effectiveness and efficiency of DOE operations. Management partially concurred with the finding and provided a plan of corrective action (see Appendix A).

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### **Comprehensive Annual Financial Report (CAFR) - State of Louisiana**

As a part of our audit of the state of Louisiana's CAFR for the year ended June 30, 2015, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Agency 681- Subgrantee Assistance:

- Federal revenues
- Non-payroll expenditures
- Accounts payable

Agency 695 - Minimum Foundation Program (MFP):

- Non-payroll expenditures

Based on the results of these procedures on the financial statements, we reported a finding related to an ineffective internal audit function. In addition, the account balances and classes of transactions tested are materially correct.

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### **Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2015, we performed internal control and compliance testing as required by Office of Management and Budget (OMB) Circular A-133 on DOE's major federal programs, as follows:

- Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, 10.559)

- Title I Grants to Local Educational Agencies (CFDA 84.010)
- Special Education Cluster (IDEA) (CFDA 84.027, 84.173)
- Improving Teacher Quality State Grants (CFDA 84.367)
- Striving Readers (CFDA 84.371)
- Child Care and Development Fund Cluster (CFDA 93.575, 93.596)
- Temporary Assistance for Needy Families (CFDA 93.558)

Those tests included evaluating the effectiveness of DOE's internal controls designed to prevent or detect material noncompliance with program requirements and determining whether DOE complied with applicable program requirements.

We also performed procedures on information submitted by DOE to the Division of Administration's Office of Statewide Reporting and Accounting Policy (OSRAP) for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, 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, the SEFA information and the status of the prior-year findings submitted to OSRAP, as adjusted, are materially correct.

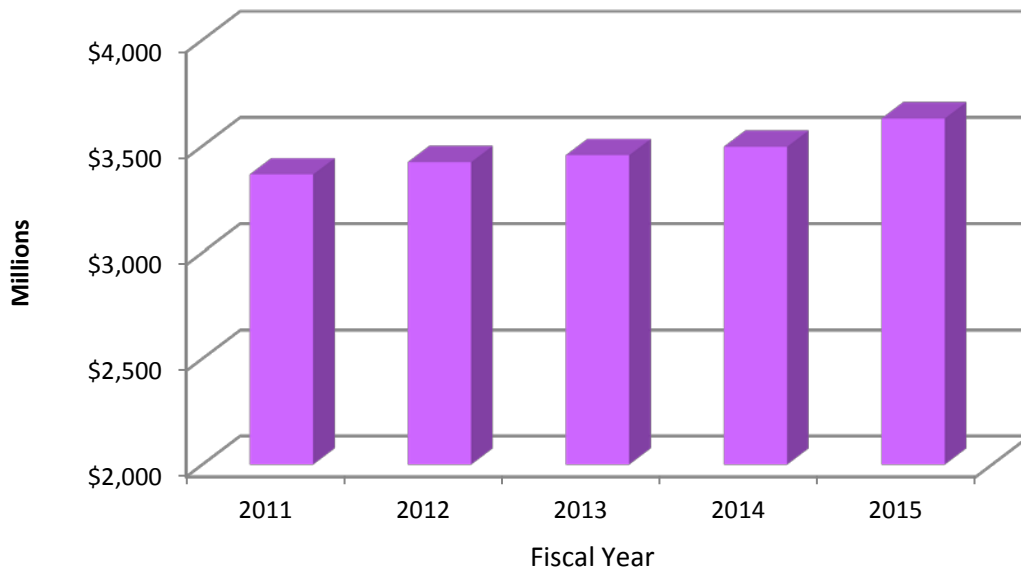
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## **Trend Analysis**

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

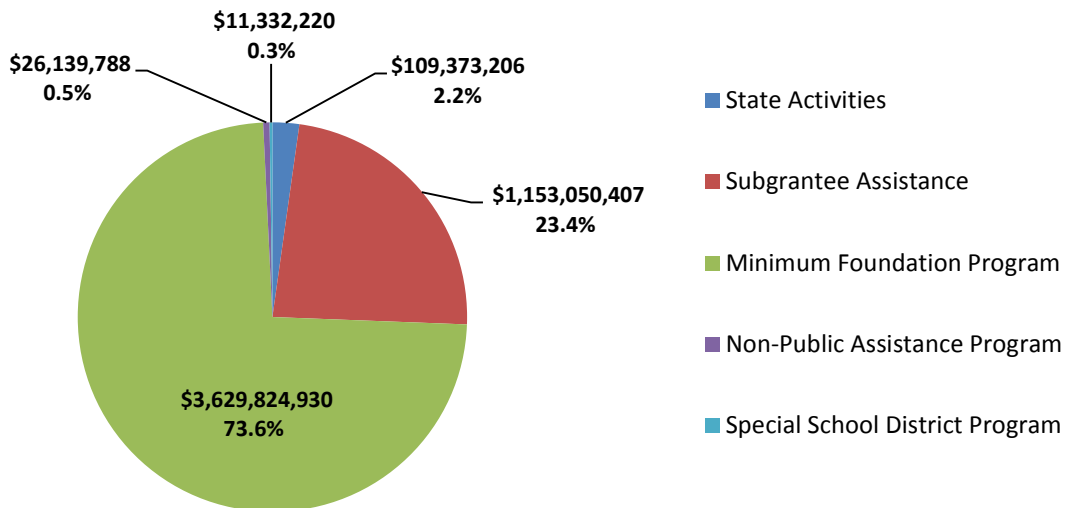
MFP formula expenditures have increased by 8% over the past five years mainly due to a 4% increase in the total number of students funded by the formula (see Exhibit 1). As shown in Exhibit 2, 74% of DOE's expenditures were for MFP and 23% were for Subgrantee Assistance. MFP provides for the equitable distribution of state funds to local educational agencies (LEAs). Subgrantee Assistance provides federal and some state flow-through funds to LEAs.

**Exhibit 1  
MFP Formula Expenditures**



Source: Fiscal Year 2011-2015 Annual Fiscal Reports

**Exhibit 2  
Fiscal Year 2015 Expenditures  
Total: \$4,929,720,551**



Source: Fiscal Year 2015 Annual Fiscal Reports

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of DOE. The nature of the recommendation, its implementation costs, and its potential impact on the operations of DOE should be considered in reaching decisions on courses of action.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

JP:CRV:BQD:EFS:aa

DOE 2015





## **APPENDIX A: MANAGEMENT'S RESPONSE**





# LOUISIANA DEPARTMENT OF EDUCATION

November 3, 2015

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

Re: **Ineffective Internal Audit Function**

The Louisiana Department of Education (LDE) appreciates the opportunity to respond to the finding **Ineffective Internal Audit Function**. The LDE partially concurs with the finding **Ineffective Internal Audit Function**.

As a result of the prior year audit finding, LDE management closely monitored the Bureau of Internal Audit (BIA) activities during the past year. Weekly meetings were held with the BIA Director. LDE management routinely reviewed the status of audit work to ensure that progress was maintained at all times.

The Bureau of Internal Audit (BIA) performed a variety of duties during fiscal year 2014-15, all according to the approved audit plan. First, the BIA issued its risk assessment of the LDE and received approval from the State Board of Elementary and Secondary Education (SBESE) in the Fall of 2014. The audit of the Improving Teacher Quality State Grants (ITQSG) program began in the Winter of 2014-15. Based on the risk assessment, this is the program that was deemed first on the list of those that should be audited. This work was interspersed with other more routine duties throughout the remainder of the fiscal year. At fiscal year end, the audit work was not complete and therefore, time was allotted in the subsequent fiscal year for completion of this work in the Fall of 2015. The work has been completed and the ITQSG audit report will be issued at the December 2, 2015 SBESE meeting. The BIA will then begin the audit of the 'Cecil J Picard LA-4 Early Childhood Programs' which are those listed next on the risk assessment.

The BIA is committed to having a peer review in the next year. The BIA has sought assistance from the *Committee of State Audit Groups* in order to complete this task. The *Committee of State Audit Groups* under the direction of the Division of Administration Internal Audit is coordinating the external quality risk assessment as a cooperative endeavor between all audit functions in the State of Louisiana. There are numerous State agencies that require a peer

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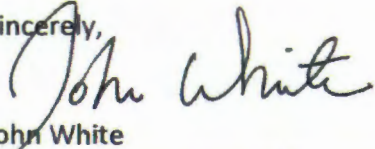
Mr. Daryl G. Purpera, CPA CFE  
Legislative Auditor  
Page 2  
November 2, 2015

review at this time. The cost of hiring an outside consultant to perform such a task is estimated to be in excess of \$25,000 and, as such, is prohibitive in the tight fiscal climate being experienced by every State agency. The use of qualified internal audit staff from other State agencies in the completion of this task is a more cost effective method for meeting this requirement under the *Internal Auditing Standards*. The BIA is a member of that group and will be assisted by qualified individuals from other state agencies in the completion of this review.

The contact person responsible for corrective action is Dudley J. Garidel, Jr. CPA, Director of Internal Audit. He may be contacted at (225) 342-1518 or [Dudley.Garidel@la.gov](mailto:Dudley.Garidel@la.gov).

We appreciate the diligence of you staff in conducting this audit.

Sincerely,



John White  
State Superintendent of Education

JW:DJGJr

C: Kunjan Narechania, LDE Chief Operating Officer  
Bridget Devlin, LDE Chief of Staff  
Beth Scioneaux, Deputy Superintendent for Management and Finance

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Education (DOE) for the period from July 1, 2014, through June 30, 2015, to provide assurances on financial information significant to the state of Louisiana and 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, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the state of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2015.

- We evaluated DOE'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 DOE.
- Based on the documentation of DOE's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on DOE's account balances and classes of transactions to support our opinions on the CAFR.
- We performed procedures on the following federal programs for the year ended June 30, 2015, as a part of the 2015 Single Audit:
  - Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, 10.559)
  - Title I Grants to Local Educational Agencies (CFDA 84.010)
  - Special Education Cluster (IDEA) (CFDA 84.027, 84.173)
  - Improving Teacher Quality State Grants (CFDA 84.367)
  - Striving Readers (CFDA 84.371)
  - Child Care and Development Fund Cluster (CFDA 93.575, 93.596)
  - Temporary Assistance for Needy Families (CFDA 93.558)
- We performed procedures on federal expenditure information submitted by DOE for the preparation of the state's Schedule of Expenditures of Federal Awards, and on the status of prior-year findings used in the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2015, as a part of the Single Audit.

- We compared the most current and prior-year financial activity using DOE's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from DOE management for significant variances.

The purpose of this report is solely to describe the scope of our work at DOE and not to provide an opinion on the effectiveness of DOE'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 DOE's Annual Fiscal Reports and, accordingly, we do not express an opinion on those reports. DOE's accounts are an integral part of the state of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.