

LOUISIANA SCHOOL FOR MATH, SCIENCE, AND THE ARTS
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED JULY 5, 2007

**LEGISLATIVE AUDITOR
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BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
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June 14, 2007

**LOUISIANA SCHOOL FOR MATH, SCIENCE,
AND THE ARTS
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Natchitoches, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Louisiana School for Math, Science, and the Arts for the period July 1, 2005, through June 14, 2007. Our procedures included (1) a review of the school's internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior audit recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected school personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Report of the Louisiana School for the Math, Science, and the Arts was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The school's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior report on the Louisiana School for Math, Science, and the Arts, dated April 25, 2005, we reported a finding relating to the school's failure to submit a document retention schedule to State Archives. This finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration as follows.

Control Weaknesses Relating to Employee Hiring

During the two years ended June 30, 2007, the Louisiana School for Math, Science, and the Arts (school) did not have adequate controls in place to perform a thorough background check on all job applicants and to evaluate if the job applicants possess the qualifications and requirements necessary to perform the job for which they are applying.

In addition, procedures were not in place to address situations where an existing employee may be in violation of a school and/or state policy or regulation. Good internal control dictates that management obtain sufficient, accurate, and competent information from job applicants before their hiring to ensure the applicant meets the needs of the school and can perform the assigned duties while complying with all state requirements. Procedures should also exist to address situations when employees may be in violation of school and/or state policies or regulations. These procedures should clearly indicate the course of action management should take to safeguard state assets until a final determination has been made about the possible violation.

At the present time, the school requires applicants applying for an unclassified position to provide only a resume without providing any additional background information that can be researched and verified. This practice does not allow management to obtain other relevant information about the applicants which may prohibit them from performing the job for which they are applying. As a result, an applicant may be hired who is unable to perform the duties for which he or she was hired and may place students and others at risk. In addition, this practice increases the risk of loss for state assets and may subject the school to noncompliance with state policies or regulations.

Management of the school should immediately review and enhance its hiring policies and procedures to ensure that adequate information is obtained to evaluate the qualifications of a job applicant before approving the applicant for employment. This can be achieved by requiring a detailed job application from all that apply to work at the school. It is also recommended that the application should include the statement "I certify that all statements made on this application and any attached papers are true and complete to the best of my knowledge. I understand that information on this application may be subject to investigation and verification and that any misrepresentation or material omission may cause my application to be rejected, my name to be removed from the eligible register and/or subject me to dismissal from state service." Finally, policies and procedures should be established and implemented to address situations when employees may be in violation of school and/or state policies and procedures. These policies and procedures should address the course of action the school will take and the remedies afforded the employee until such time as a final determination can be made relating to the situation. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

Weaknesses in Compliance and Financial Reporting Controls

The school failed to require its employees to comply with its policies and procedures relating to dual office holding and disclosure of outside business interest. In addition, controls designed to detect and prevent inaccurate financial reporting failed to detect inaccurate financial information in the school's fiscal year 2006 Annual Financial Report. Good internal controls would dictate that controls be designed, implemented, and enforced to ensure accurate financial reporting and compliance with applicable school policies and procedures and state laws and regulations.

The school requires all its employees to complete and return the school's Dual Office Holding and Dual Employment Form by September 1 of each year. This form is used by management to ensure compliance with applicable state laws relating to dual office holding and employment. Of the 171 employees required to return the form by September 1, 2006, 74 employees (43%) had not done so by January 1, 2007.

In addition, our review of the notes to the school's annual financial statements for the year ending June 30, 2006, indicated that inventory was overstated by \$130,438; annual leave payable was understated by \$8,101; and sick leave payable was understated by \$351,824. These errors resulted in a net overstatement of \$490,363 in net assets.

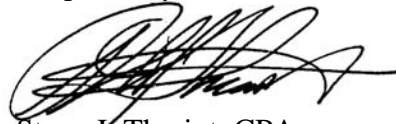
Management of the school has not placed sufficient emphasis on the design of its internal controls or on its staff's compliance with these controls. As a result, the school is exposed to an increased risk of both noncompliance with laws and regulations and inaccurate financial reporting.

Management should review and evaluate its controls to determine if the controls are properly designed to accomplish the desired objectives. If control deficiencies are detected, revisions should be made immediately. Once properly designed controls are in place then management should strictly enforce these controls and periodically monitor the controls to ensure the desired results are being obtained. Finally, staff that fail to comply with the controls should be held accountable. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 2-3).

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

This report is intended solely for the information and use of the school and its management 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.

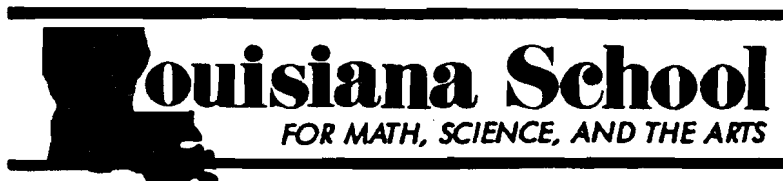
Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



May 2, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding:
Control Weakness Relating to Employee Hiring

Dear Mr. Theriot:

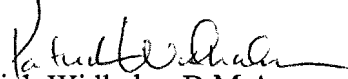
I am writing in response to your letter of April 26, 2007, relative to the audit finding referenced above relating to the Louisiana School. The school concurs with this finding.

The need for enhanced controls in the hiring process and evaluation of employees does not indicate that the school has operated without procedures or controls. The current employment process will continue. This includes interviews, with supervisors and a peer group when appropriate, direct contact with references, a drug screen, and a criminal background check through the Louisiana State Police. Probationary periods of employment and the annual review of both teaching and non-teaching employees will also continue. Disciplinary action up to termination with cause remains a recourse if an employee violates school and/or state policies or regulations.

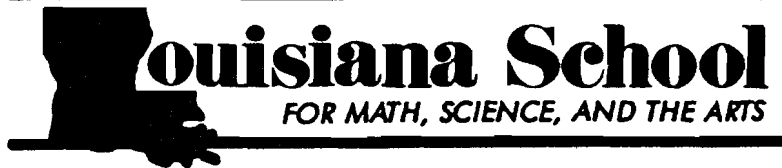
The school will review existing job application forms, such as the SF 10 used by the Department of Civil Service, to develop a formal job application that can be used by all programs for all positions. The school will also seek counsel from its attorney in the development of this uniform application. Such an application form will contain questions about a person's background beyond what an applicant might include on a resume. Various global statements relative to the veracity of the applicant's statements and the consequences for misinformation and misrepresentation will be a part of such application form. We plan to take this uniform application form for approval to the Board of Directors in its June meeting. Beyond the uniform application form, the school will develop a procedure that will address any level of concern with respect to an applicant's information, including additional scrutiny of the applicant's qualifications for the position, work history, and pertinent personal history.

I appreciate the professionalism and cooperation your office has shown the school throughout this audit process. If you require any additional information, please do not hesitate to contact me.

Sincerely,


Patrick Widhalm, D.M.A.
Executive Director





March 22, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

re: Response to Finding:
Weaknesses in Compliance and Financial Reporting Controls

Dear Mr. Theriot:

The Louisiana School has received your preliminary finding relative to the above-referenced subject and submits the following in response:

Regarding the annual reporting by faculty and staff of any instance of Dual Office Holding or Dual Employment, the school does not challenge the finding of the auditor. The school's programs employ persons both on site and at locations removed from the school. The problem that was cited, the late return of forms, was concentrated in the off-site employee population. Those employees are all within the Louisiana Virtual School Program and are almost all part-time employees. The school will adopt a policy requiring the completion and return of the forms by all employees within two weeks of their date of employment in a given fiscal year. Additionally, the school will tie activation of payroll to the return of those executed forms for all employees. Two persons will be charged with the responsibility of recording the receipt of the forms: Carissa Blade for on-site personnel and Beverly McFadden for off-site personnel. This policy will be in effect by the beginning of the new fiscal year. They will report such receipts to Mrs. Betty Lockhart, the school's Supervisor of Human Resources who is responsible for activating payroll.

Regarding the subject of errors on the Annual Financial Statement (AFS), the school does not challenge the finding of the auditor. Several clerical errors were made in transferring data from several state reports to this cumulative report. The AFS is compiled by the school's Budget Officer, Mrs. Ruth Prudhomme. She will continue in this role. In previous years, the completed report was presented to the school's Executive Director, Dr. Patrick Widhalm, and the school's Director of Fiscal Affairs, Dr. Bill Ebarb, for their independent review. In the future, the AFS will be reviewed




Mr. Steve J. Theriot, CPA
March 22, 2007
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simultaneously by the three persons listed above in a joint meeting. Mrs. Prudhomme will present each component of the ASF to Dr. Widhalm and Dr. Ebarb, and questions will be answered at that time. This procedure will begin with the next preparation of the next AFS.

The administration of the school recognizes the need for the creation and implementation of strong controls, and it will strive to ensure that its control structure addresses existing laws and policies. The school does hold its employees accountable for their actions, but the level of that accountability and the possible actions for non-compliance must now be reconsidered. As noted above, in at least one case, non-compliance will result in the delay of employees' paychecks. The school will examine other possible actions and apply them in the most judicious and appropriate manner possible.

If you have any questions regarding any aspect of this audit or the school's response to these finding, please contact me.

Sincerely,



Dr. Patrick Widhalm