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FORTENBERRY & BALLARD, PC
Certified Public Accountants

Release Date 8/3/11 **INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Sabine Parish School Board
Many, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Sabine Parish School Board, solely to assist you in evaluating the Ebarb School activity fund account. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed the following agreed-upon procedures during our engagement:

- interview District officers, School Board members, staff and outside parties for the purpose of gathering information regarding transactions and/or activities that have caused potential questions or concern as to the accurateness, validity or integrity of operations at Ebarb Schools,
- review a sample of receipts and disbursements transacted within the activity fund account in order to evaluate the accuracy, sufficiency, validity and integrity of transactions,
- based upon information gathered and examined as a result of items 1 and 2 above, perform searches of certain vendors and/or individuals and conduct additional procedures as deemed necessary in order to ascertain the accurateness, validity and or integrity of the selected transactions and/or information, and
- perform additional reviews and/or tests which may arise due to the above procedures in order to better evaluate the sufficiency, validity and integrity of selected transactions.

The results of our procedures disclosed the following instances in the Ebarb School activity fund account that we believe should be brought to the attention of management and the board.

During the engagement period we interviewed individuals affiliated with both Sabine Parish School Board and Ebarb School. The interview was conducted by telephone conversations and/or face-to-face dialogue:

- Bobby Garcie – School Board member representing the Ebarb District
- Dorman Jackson – Sabine Parish Schools Superintendent
- Bobby Lewis – Business Manager, Sabine Parish Schools
- Darrin Dyess – Principal, Ebarb Schools

- Dawn Asbell, Bookkeeper, Ebarb Schools
- Diette Ezernack, former Bookkeeper, Ebarb Schools and current School Board Transportation Clerk/Secretary

Per requests and prior engagement acquisition, Ebarb financial records including monthly reconciled bank statements, check registers, deposit lists, a chart of accounts, vendor summary reports, a vendor master list, and yearly transaction journals detailing individual account activity were provided extending four fiscal year periods from July 1, 2007 through current activity. With the exception of the reconciled bank statements, all other financial information was generated through the School Board/individual school accounting software program JPAM. In prior audit/agreed-upon procedure engagements, receipt and disbursement samples had been examined. Having this prior experience allowed for a more educated and sharper focus pertaining to accounting activity and internal control deficiencies previously detected at Ebarb Schools. Previous items noted during procedures performed in past engagements include the following related to current procedures performed:

1. Inadequate or no supporting documentation for payments made to vendors
2. Transactions recorded into bookkeeping where vendor names were not stated
3. Generic accounts (miscellaneous) used to record transactions when specific clubs/activity accounts are provided in the charts of accounts contained in the accounting software
4. Two separate loans/lines of credit obtained without School Board authorization

Equipped with previously obtained information and past inquiries of various Sabine Parish officials, the agreed-upon procedures performed were directed toward the following areas:

1. Search of select vendors and the integrity of the transactions that occurred with said vendors.
2. Expansion of period from previous procedures performed in which loan payments were made and whether adequate evidence existed as to whether these payments were subsidized by the officials who acquired these instruments. Furthermore, whether the acquired proceeds were accounted for and what purpose were they acquired.
3. Additional items gleaned from interviews conducted with various officials.

Summary of Vendor Selection and Results of Procedures Performed

During the time period of March 15 through March 17, 2011, fieldwork was conducted on location both at Ebarb Schools and the Sabine Parish School Board. Interviews were conducted with all of the officials listed on the previous page. Three copies of a vendor summary report encompassing a period ranging from July 1, 2007 to present was generated through the JPAM accounting software. Information such as vendor name/address and a summary of transactions were noted on the reports. One copy was presented to the Superintendent. Another copy was shared at Ebarb Schools by both Board Member Bobby Garcie and Principal Darrin Dyess. The auditor kept the third copy for reference. Each official was instructed to find vendors of interest. Upon naming said vendors, individual transaction support documentation would be examined as to sufficiency, validity and integrity of said transaction.

Of note, several transactions were made with individuals performing “odd jobs” related to performing repairs and routine maintenance on school property. The only supporting documentation provided was a sheet of stenographer paper with a handwritten account of the job purported to have been performed. While not material since most of these transactions were under \$200.00 individually, the area of weak internal controls exposed relates to the process of vendor selection and subsequent data entry into the accounting system.

We noted evidence of a designated purchasing agent making a determination as to whether an individual or an entity was a bona fide vendor. The Sabine Parish School Board has designated an individual(s) as such and provided the authority to approve vendors at the Central Office. Being that the activity/club fund system is completely decentralized at the Sabine Parish School Board, the individual school principals are designated as purchasing agents. Considering the number of individuals noted as vendors, it has been noted during individual interviews that many of these individuals are in fact of familial relation to various Ebarb officials, past and present. Conflicts regarding the purchase of goods and services may be compromised.

Two vendors, in particular, were examined further as a result of procedures performed. One vendor, People’s State Bank, has been focused upon in past engagements and documented. Expansion of the time period searched was performed for this particular vendor to examine whether further transactions related to loan payments had occurred. The results will be discussed later in a separate section of this report. The other vendor examined was the Family Career Community Leaders of America, Inc. (FCCLA).

FCCLA, which stands for the Louisiana Family Career Community Leaders of America, Inc. is a chapter of a national non-profit career and technical student organization for young men and women in Family and Consumer Sciences Education in public and private school through grade 12. Per examination of the organization found on the website <http://www.lafcclainc.org/>, it has been determined that the organization is a bona fide vendor. The focus of our inquiry will be narrowed to invoices/supporting documentation pertaining to the annual national conference and attendees representing Ebarb Schools. Particularly attendance annually at the national conference will focus on the years 2007 through 2010 (five conferences total).

The following conferences took place during the time periods mentioned:

2007	Anaheim, CA	Support complete	\$31,551
2008	Orlando, FL	Support complete	\$26,781
2009	Nashville, TN	Support complete	\$40,040*
2010	Nashville, TN	Support complete	\$24,971**

*tested example **sales tax shown on invoice (airfare costs not noted)

Per Board Minutes obtained for each of these periods, the following is paraphrased as to the attendance at each conference: “\$200.00 per student with X number stated and \$200 for the trip sponsor is subsidized.” Various officials raised an issue that individuals in addition to those subsidized were present on each of the trips noted.

It has been stated that several individuals present on at least one or more of these trips were not authorized to attend these conferences. For instance with the 2009 Convention, we received a copy of attendees and compared that listing to the invoice obtained. All individuals listed as attendees paid a total trip cost ranging individually from \$839.00 (only one attendee) to \$1,398.50. On average, the 35 attendees paid \$1,144.00 per individual.

Individuals attending this trip included the following by groups:

- 20 students
- 10 parents
- 2 adults appearing to have no relations to the children attending
- 2 individuals both being siblings to students on said trip
- Chapter Advisor (replacing regular Chapter Advisor who was unable to attend)

As stated previously, the School Board annually approves a stipend for the eligible students and the Chapter Advisor for their attendance at this conference. The list stated in the prior paragraph stated that those eligible for a School Board stipend include the 20 students who belong to this club and the Chapter Advisor. The remaining individuals at the very least are responsible for their travel. We saw no evidence of board approval for other individuals to make this trip.

Evidence obtained indicates that mostly these other individuals who are invoiced to attend the conference paid their way. Most evidence was pieced together through various deposits made into the Ebarb activity bank account. However, evidence could not be clearly traced 100% that attendees otherwise not eligible for this trip paid their own way. Further attempts to obtain evidentiary matter as to whether parents, other adults or siblings of participants could attend did not generate more supporting documentation. Neither the School Board nor Ebarb School records provided demonstrated whether the individuals were "eligible" to attend the conference. School Board policy does not specifically state individual eligibility in attending club functions.

Per School Board Policy JHB 4 (School Activity Fund Manual policy 5.1), checks written that were greater than \$7,500 required and received Business Manager approval per inquiry of supporting documentation. The only support noted during fieldwork observation was the last page of the invoice. Further inquiry was made of the School Board officials to obtain complete invoices for these trips. The complete invoice noted all these individuals that were attendees on this trip. At the very least, these individuals are deriving a sales tax-free benefit no other individual is eligible to partake. Ebarb School officials could not provide supporting documentation as to the fundraising events that occurred for this very purpose. It was indeterminable as to whether funds raised could match monies needed for eligible individuals to attend this function.

As to whether individuals attending these trips should have their participation paid from activity fund monies, the following points are noted.

1. **Individual eligibility for the trip** – indeterminable since the School Board did not specifically state whether these people could attend per Board minutes. The only item noted in the Board minutes is the allowance of \$200 stipends for X number of students

and the Chapter Advisor. No mention is made whether additional individuals should/should not be attending at their own expense.

2. **Individuals other than those subsidized by the School Board paid their way** – some evidence per examination of deposit tickets shows where some individuals paid toward the trip. No checklist or other subsidiary tracking was kept by bookkeeping at Ebarb School. It cannot be determined whether these individuals paid for their attendance in full.
3. **Fundraiser revenue tallies = invoices totals** – fundraisers were not kept up with individually. The School Board policy is for fundraisers put on by individual schools to be noted as to: 1) event type, 2) purpose, 3) club/activity funds are being raised for, and 4) items to be purchased for sale at said fundraiser, if applicable. No evidence of individual fundraisers was provided by Ebarb Schools. It cannot be determined whether fundraisers, in fact, occurred and whether said fundraisers were coded to the proper activity/club.
4. **Invoices provided by the vendor** – vendor-supplied invoices state the following: 1) delegate/individual making the trip, 2) various fees including registration, hotel, airfare, and other trip-related fees with a total cost, 3) deposit amounts made by delegates individually, and 4) balance due. No other information is provided. The Louisiana FCCLA chapter booked this trip. No airline ticket stubs, hotel folios, registration itineraries, etc. are attached to this invoice/summary statement of cost. School officials were provided these invoices by the Louisiana FCCLA when requested. The question remains as to whether the individual items composing the entire event were obtained at a reasonable cost. We noted inadequate supporting documentation subsequent to the summary statement of cost invoices.

Line of Credit items obtained by Ebarb Schools

The *Sabine Parish School Board School Activity Fund Manual* states in Section 3.3 (School Board Policy DE), "Individual schools are not permitted to borrow or lend money for any reason or purpose." Per conversations with School Board officials including the Superintendent and the Business Manager, Ebarb Schools was not authorized per Board order to borrow money for capital purposes related to school facilities. No evidence was found in Board minutes per inquiry. However, five individuals signed two successive bank promissory notes with People's State Bank to borrow funds on behalf of Ebarb Schools.

During procedures performed in conjunction with the fiscal year 2009 audit, evidence of these loans was obtained. Routine activity fund agreed-upon procedures uncovered payments made to People's State Bank of various amounts. These payments were made on behalf of the Rebel Club account. Being listed as a Club account, the funds raised by student activities are restricted and cannot be used for any purpose other than those projects or activities approved by the sponsor or students of the club (Section 2.1 - *Sabine Parish School Board School Activity Fund Manual*). It was unclear as to the stated purpose of the Rebel Club after interviewing numerous individuals.

As to why the account had constant activity, it was stated that constant fundraising activity took place. As to inquiries as to the fundraisers, no fund raising reports were provided. Section 2.7 of

the *Sabine Parish School Board School Activity Fund Manual* states that “all school employees that wish to engage in fund raising projects are required to obtain written authorization from the principal.” A “Report on Fund Raising Project” should be prepared by the authorized employee engaging in said activity. A description of the fund raiser should be provided inclusive of: 1) intended goal of fundraiser, 2) items for sale, 3) participant information, and 4) projection of how much cash is to be raised through the activity. Upon properly filling out this form, the individual requesting the fundraiser will present the request to the school principal for authorization.

Per School Board Policy DKA, the school principal, before allowing any fundraising activities should formulate with faculty and staff a fund raising policy for the school and inform the faculty of said policy. All fundraisers shall be approved in advance by the principal of the school involved.

During procedures performed, no evidence was provided showing adherence to aforementioned Board Policy. Evidence of individual fundraisers could not be obtained. Receipt and disbursement activity was booked regularly through the Rebel Club. Fundraising activity could not be clearly defined per examination of bank statement records, particularly deposit slips. Furthermore, no official could articulate the stated purpose of the Rebel Club.

Regarding the loans/lines of credit obtained, prior agreed-upon procedures performed in audited fiscal years 2009 and 2010, we noted \$42,000 paid to People’s State Bank. The following is a list of the payments made:

Date	Check Number	Amount	Paid to Loan #	Account Booked To
09/16/08	10633	\$10,000	3418472	Rebel Club
01/23/09	10868	\$4,000	3418472	Rebel Club
06/01/09	11121	\$6,000	3488519	Rebel Club
09/02/09	11172	\$2,000	3488519	Rebel Club
02/02/10	11394	\$6,000	3488519	Rebel Club
06/28/10	11643	\$2,500	3488519	FCCLA
07/16/10	11646	\$5,000	3488519	Rebel Club
08/26/10	11679	\$2,000	3488519	Rebel Club
11/04/10	11780	\$4,500	3488519	Booster Club
		\$42,000		

Documentation for loan #3488519 states that it is dated February 26, 2009 with a principal balance of \$30,000 at an interest rate of 6.5%. The maturity date of the note was March 9, 2010. Five individuals affiliated in some form or fashion with Ebarb Schools signed for the note. Loan document #3418472 was not provided.

Further inquiry through the JPAM accounting system was initiated by the Superintendent. The search area was narrowed to account activity in the Rebel Club account from 2003 to current. The purpose was to inquire as to whether more payments were made to loans prior to the period previously noted. Upon generation of the adjustment detail list for Ebarb School, the following payments were verified to bank statements and checks written. Each check written noted the loan number #3418472 on the memo line.

Date	Check Number	Amount	Paid to Loan #	Account Booked To
07/31/06	9561	\$19,000	3418472	Rebel Club
04/30/07	9961	\$12,000	3418472	Rebel Club
09/06/07	10102	\$4,000	3418472	Rebel Club
11/29/07	10232	\$4,000	3418472	Rebel Club
		\$39,000		

An additional \$39,000 in loan payments was noted during this examination. In total, \$81,000 in loan payments appear to have been made to People's State Bank for activities not authorized by the Sabine Parish School Board.

In addition to these loan payments, it did not appear when examining the adjustment detail list of accounting activity through the Rebel Club account that a coinciding amount of cash was deposited to cover for each loan payment. There was no evidence provided as to any fundraising activity having been approved by the Board in regards to these loan payments. There was no evidence of proper accounting for the loan proceeds or payments in the school accounting records.

Payments were run through the JPAM system through the Rebel Club account. Loan document #3488519 (People's State Bank memo) stated the purpose of the loan was to make improvements to the baseball field at Ebarb Schools. Recognition of the improvements was not run through the JPAM accounting system. Furthermore, Rebel Club account cash appears to have been used to pay off the project financing without proper supporting documentation as to where the cash was obtained to make these loan payments. In conclusion, it appears that the individuals securing the funding for the baseball field capital project at Ebarb School did not have Sabine Parish School Board approval to finance said project. These individuals obtained financing without board approval and paid the debt service through the activity fund bank account at Ebarb School through the Rebel Club accounting fund.

Additional Items Noted per Interviews

Per interviews, it was noted that former Ebarb employee Lee Sepulvado was approved for annual salary supplements totaling \$9,464 by the Sabine Parish School Board. These supplements included the following:

Head Girls Basketball Coach (primary sport)	\$3,500
Head Girls Track Coach*	\$500
Head Junior High Girls Basketball Coach	\$1,500
Head Boys Track Coach	\$750
Athletic Director	\$750

*additional \$2,464 provided

Ms. Sepulvado signed off requesting these supplements with the signed approval of Principal Cynthia Lewing on September 3, 2010.

Central office officials received reports that Ms. Sepulvado was not performing the duties in which she was receiving salary supplements. Upon inquiry, school officials confirmed these

reports. As a result, action was taken rescinding these supplements. The Superintendent indicated that full financial remedy had been achieved at the time of the fieldwork.

SUMMARY

At the school level, no supporting documentation appears to exist describing what activity/activities took place (fundraisers, individual payments made, etc.) prior to the attendance at each annual national conference. It could not be determined whether the combination of approved fundraisers in addition to individual trip payments matched the cost of attendance at each national conference.

At the Central Office level, all activity fund checks written for \$7,500 or greater must have approval of the Business Manager before being executed. Business Manager approval appeared to have been granted for all of these trips. However, the supporting documentation provided by both the school and the vendor appeared inadequate. The vendor only sent a cost summary report. Individual items such as airfare, hotel lodging, registration, and conference itinerary were not presented in support with this cost summary. Ebarb School showed in their supporting documentation only the final page of this cost report per examination. It is not known whether this was the same documentation the school provided to the Business Manager for approval. During fieldwork, it was requested of the client to provide the complete cost summary report in order to note all individuals attending this conference.

School officials alleged that certain individuals attending the trip were not affiliated with FCCLA in any manner. However, supporting documentation provided could not adequately determine this allegation.

Regarding multiple loan payments made to People's State Bank, no evidence exists that the School Board approved financing for the projects in which the individuals affiliated with Ebarb School secured the funding. Payments were made through the Ebarb Activity Fund bank account for an unauthorized project. No capital activity flowed through the books. However, loan payments for the project financing flowed through activity fund books. No evidence has been presented that payments for these loans should be made through the Ebarb School Activity Fund. A total of \$81,000 has been paid through the Ebarb Activity Fund bank account and been posted to said books.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Ebarb School activity fund account. 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 Sabine Parish School Board and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry and Ballard, PC
April 20, 2011

Certified Public Accountants

Sabine Parish School Board

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July 19, 2011

Suzanne H. Elliott, CPA
Engagement Manager
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Dear Ms. Elliott:

As a plan of corrective action, the Sabine Parish School Board has taken the following action to correct the audit findings at Ebarb High School: Another person has been assigned as Principal and both he and his secretary have had in-services relating to the proper use of public funds and documentation that is required. Also as a result of the election a different person now represents that district and he has been made aware of the problem and informed about the proper use of public funds.

If I may be of any further assistance, please contact me.

Sincerely,



Robert T. Lewis
Business Manager
Sabine Parish School Board

Cc: Brent Ballard, CPA

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