

CENTRAL COMMUNITY SCHOOL SYSTEM

AGREED UPON PROCEDURES

JULY 1, 2012 - JUNE 30, 2013

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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 Schedule A, which were agreed to by the Members of the Central Community School System's Board (CCSS) and the Superintendent ("School Board") (the specified parties) solely to assist you with respect to certain financial transactions and accounting procedures of Central High School (CHS) for compliance with bookkeeping procedures as outlined in CCSS's fiscal management policy, for the period July 1, 2012 through June 30, 2013. The School Board's management is responsible for the Central High School's accounting records. 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 Schedule A either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in Schedule A.

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, LLP

Baton Rouge, Louisiana
December 3, 2013

CENTRAL COMMUNITY SCHOOL SYSTEM

AGREED UPON PROCEDURES – SCHEDULE A

JULY 1, 2012 - JUNE 30, 2013

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

Procedure 1:

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

- 1 CHS 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

Procedure 2:

Test of Deposits/Receipts:

- 1 Determine if there is a segregation of duties for receiving cash receipts and writing receipts, preparing and making bank deposits, and posting financial records

Finding:

We noted that the same individual (the executive secretary) prepares and takes the deposits to the bank also records the transaction into the accounting records. As a mitigating control, we noted that the teacher/sponsor turning in the funds to the executive secretary also turns in a Deposit Transmittal Form which states the amount of funds turned over. The teacher/sponsor receives 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 statement. In addition, the principal reviews and signs off on the bank reconciliation.

Recommendation.

We recommend to segregate the duties for the individual receiving the deposit, depositing the funds into the bank and the individual recording the transaction into the accounting software

2. Select a sample of twenty (20) deposit transactions and perform the following:
 - a. Reconcile cash deposits to bank deposits and bank deposits to journal and ledger entries
 - b. Review interfund transfers for proper approvals and propriety.
 - c. Determine if approval has been obtained for revenue-producing event, if applicable.
 - d. Determine if revenue-producing activity is consistent with the purpose for which the activity was established, if applicable
 - e. Review receipt books and numbered forms used in support of cash receipts to determine if they are properly maintained and accounted for
 - f. Review deposit to determine that personal checks are not cashed from student activity funds.
 - g. Verify that ticket sales are accounted for by number and reconciled to the receipts, bank deposits and bank entries.
 - h. Check the mathematical accuracy of receipt reports and examine appropriate signatures
 - i. Investigate any unusual items noted in deposit
 - j. Determine that deposit is credited to the correct activity fund

Findings:

- (1) We noted two instances where the bank deposit slip was not attached to the supporting backup. Although the deposit slip was not attached to the supporting documentation, we were able to agree the deposits to the appropriate bank statement without exception.

Recommendation:

We recommend that in the case of a night deposit, the School obtain a bank deposit slip the following business day and that all deposit slips to be maintained with the supporting backup to complete the audit trail.

- (2) We noted three instances where documentation for the approval of a fundraising event was unavailable.

Recommendation:

We recommend all approved fundraising activity forms be remitted to the accountant to be filed and agreed to related deposits to ensure all fundraising activities are approved by the appropriate personnel.

- (3) We noted two instances where school-sponsored events were not accounted with numbered ticketed system. In addition, we noted football is the only school-sponsored activity that used a numbered ticket system

Recommendation:

We recommend that money received from all school-sponsored activities such as football, basketball, track, baseball, shows, plays, concerts, etc., be verified by the use of a numbered ticket system and any information which would verify or account for income be filed with the deposit ticket.

Other Recommendation:

We recommend that when receipt books are issued, a log needs to be maintained to document who received, the books issued, and the date. The cash receipt books should be turned in once all receipts are used and at year end to the accountant and filed for tracking purposes

3. For each of the twenty deposit transactions selected in Step 2, we selected a sample of the Deposit Transmittal Forms attached as support to test. If the total number of Deposit Transmittal Forms attached as supporting documentation was five or less, we selected one form to test. If the total number of Deposit Transmittal Forms attached as supporting documentation was greater than five, we selected two forms to test. We performed the following procedures on the Deposit Transmittal Forms selected.
 - a. Determine if cash receipts are accounted with pre-numbered receipt forms, cash receipts ledger or cash register tapes.
 - b. Determine if all funds are turned into the school office as soon as possible after receipt
 - c. Determine if cash receipt is deposited daily, intact.

Findings:

- (1) A teacher receipt form is provided as a verification process to a teacher/sponsor from the executive secretary for funds that are turned over by the teacher/sponsor to be deposited. Once the funds are deposited in the bank and recorded in the system, the teacher receipt form is printed and made available to the teacher. We noted six instances where a copy of the teacher's receipt was not attached to the supporting backup of the applicable Deposit Transmittal Form. We were informed that the receipts were not attached to the supporting backup because of a computer error at the time of entry.

Recommendation:

We recommend that all teachers/sponsors receive a teacher receipt form and that all Deposit Transmittal Forms received from teachers/sponsors have a copy of the teacher receipt form attached with the supporting backup.

- (2) We noted two instances where cash received was not documented by the use of cash receipts forms, activity receipt summary or summary logging receipt. One instance was when cash was received for the sale of pre-game football tickets.

Recommendation:

We recommend that all cash received be documented by the use of cash receipt forms, or activity receipt summary for which the numbered ticket system is used, or a summary logging receipt from students by name and amount to account for receipts in which a large group of individuals make up the total receipts.

- (3) We noted ten instances of the twenty-seven items selected for testing where the supporting documentation for the cash received did not specify the date received. We therefore could not determine if cash was deposited on a timely basis for those items. We also noted two instances where the funds received were held for more than seven days until deposited.

Recommendation:

We recommend that all cash receipt documentation include the date in which the cash is received. We recommend that the Deposit Transmittal Form be modified to include the date received and cash receipt form number issued, if applicable. We also recommend all funds be turned into the accountant and are deposited on a daily basis.

Procedure 3:

Purchasing:

- 1 Determine, to the extent feasible, that the purchasing, receiving and accounting functions are segregated

Finding

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

Recommendations:

We recommend to segregate the duties of signing checks, recordkeeping of purchases and the depositing of funds to the bank. Although CHS requires the signature of two authorized check signers, it is best practice to segregate these duties. We also recommend the School to maintain a list of approved vendors to ensure high quality and competitive prices are obtained for purchases.

2. Determine that purchase orders are sequentially pre-numbered.

Finding:

We noted that purchase orders are sequentially pre-numbered, however purchase orders are not maintained and filed with the cash disbursement as supporting backup. Currently, a teacher will request and complete a purchase order. The purchase order has to be approved by the Principal. The purchase order information is then recorded in a purchase order log. Once approved, the teacher completes the purchase with the vendor. Once the invoice is received, the teacher completes a check authorization form for payment.

Recommendation:

We recommend the purchase order be submitted and filed with the invoice, check authorization form, and delivery receipt, if applicable, so that the product authorized agrees with the product that was received and paid.

3. Determine that all checks are pre-numbered by the printer.

No exceptions as we noted all checks are pre-numbered by the printer

4. To confirm that voided checks are marked as "voided" to avoid reuse and retained in a file, we haphazardly selected five missing check numbers on the check register and five checks listed as voided on the check register.

Findings:

- (1) We noted four instances where voided checks could not be located

Recommendation:

We recommend that voided checks be maintained and filed in a way that can be easily located.

- (2) We noted one instance where the check was not marked voided

Recommendation:

We recommend all voided check be marked appropriately.

5. Determine that unused checks are properly controlled and safeguarded.
6. Review check register for skips in numerical sequence to determine if voided or skipped and for completeness of transaction population

See exceptions noted in Procedure 3 Step 4.

- 7 Select all expenditures greater than \$10,000 and select an additional sample of twenty-five (25) cash disbursements and perform the following:
- a. Ensure that all checks are supported by a properly approved vendor invoice, or, when invoices are not available, by a properly approved payment voucher.
 - b. Confirm that expenditures are not made on the basis of vendor statements.
 - c. Confirm that vendor invoices are checked for mathematical accuracy and proper pricing.
 - d. Determine that verification of receipt of goods was made for purchase order, if applicable
 - e. Determine that invoices are paid on a timely basis and that all cash discounts are taken.
 - f. Investigate payments supported by vouchers which should be supported by vendor invoices.
 - g. Verify that check supporting documents are properly stamped to avoid duplicate payments.
 - h. Ensure that the activity account from which each payment is to be taken is written on each check or the check voucher.
 - i. Determine that expenditures have been formally approved for charge to individual activity funds and check to see that proper distribution was made to those funds.
 - j. Ascertain that expenditures are in compliance with the established purposes and conditions of the fund
 - k. Ensure that all expenditures are within the limitations established by the school system.
 - l. Determine if expenditures are in compliance with state laws and regulations including bid laws, if applicable.
 - m. Determine if expenditures to be used as change funds have been redeposited, if applicable.
 - n. Review cancelled checks for proper signatures and appropriate endorsements.
 - o. If disbursement is a refund, ensure its propriety.
 - p. Determine that payment is not for salary.
 - q. Ascertain that checks are made payable to a recognized approved vendor
 - r. If disbursement is to an individual, determine that it is an appropriate approved expense or reimbursement
 - s. Investigate checks made payable to "cash "

Findings:

- (1) We noted nineteen instances where the invoice was paid later than ninety days after the invoice date

Recommendation:

We recommend that invoices be paid on a timely basis, generally within 30 to 60 days from the invoice date.

- (2) We noted one instance where the check amount and the Check Authorization Form did not agree with the attached receipts. Since the check amount did not agree to the check authorization form in the amount of \$20.33, we could not determine if the purchase was authorized.

Recommendation.

We recommend that supporting backup for a cash disbursement be documented in sufficient detail to reconcile to the check amount and check authorization form.

- (3) We noted one instance where a purchase was not supported by a minimum of three quotes as required by the Louisiana's Public Bid Law. The invoice was for the purchase of football pants totaling \$6,731 and jerseys totaling \$12,650. Louisiana Revised Statute 38:2212.1 states that purchases of materials or supplies totaling between \$10,000 and less than \$30,000 must obtain at least three telephone or facsimile quotes and must obtain written confirmation of the accepted offer for the file.

Recommendation:

We recommend that all purchases, except those specifically excluded in the Public Bid Law, of \$10,000 or more, but less than \$30,000, be made by obtaining not less than three telephone or facsimile quotations. A written confirmation of the accepted offer should be obtained and made part of the purchase file. However, it is good public policy and a best practice to obtain three written quotes on purchases that are from \$1,000 to \$9,999.

Additional Recommendation

We recommend that the check disbursement supporting documents be stamped paid to avoid duplicate payments.

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.

(No exceptions noted)

Additional Recommendation:

During our test work, we noted that on some occasions a stamp was used for the prior principal's signature. We recommend that the Principal manually sign the transfer authorization form to ensure proper approval.

Procedure 5:

Petty Cash

- 1 Review petty cash reconciliation for one time period to ensure petty cash expenditures for 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. 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 properly signed and approved.
 - f. Verify that reconciliations are submitted to the main office.

Findings:

- (1) We noted one instance where the bank reconciliation was not completed on a timely basis. The October 31, 2012 bank reconciliation was not completed and signed until February 13, 2013, which would have caused the following months' bank reconciliations to be not completely on a timely basis.

Recommendation

We recommend that bank reconciliations be completed on a timely basis.

- (2) We noted several outstanding checks that were dated in prior years.

Recommendation:

We recommend outstanding checks greater than six months be researched to determine if the check should be voided or turned over to the state, if required

2. Verify that the bank accounts are reconciled at least once per month.

See finding (1) above.

Procedures 7:

Fixed Assets

1. Obtain a copy of CHS's detail fixed asset listing which includes identifying asset tag numbers

We obtained the above listing.

2 Select five assets on CHS's detail fixed asset listing to find the asset at the location.

Finding

(1) We noted one instance where the asset tag was not readable which appeared to be due to normal deterioration. We were able to agree the asset description to the description on the detail fixed asset listing.

Recommendation:

We recommend that asset tags be reviewed periodically and replaced as needed to ensure proper asset identification.

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

No exceptions noted.