

MADISON PARISH SCHOOL BOARD



---

ADVISORY SERVICES REPORT  
ISSUED SEPTEMBER 26, 2007

---

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

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

SENATOR J. "TOM" SCHEDLER, CHAIRMAN  
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM  
SENATOR WILLIE L. MOUNT  
SENATOR EDWIN R. MURRAY  
SENATOR BEN W. NEVERS, SR.  
REPRESENTATIVE RICK FARRAR  
REPRESENTATIVE HENRY W. "TANK" POWELL  
REPRESENTATIVE T. TAYLOR TOWNSEND  
REPRESENTATIVE WARREN J. TRICHE, JR.

**LEGISLATIVE AUDITOR**

STEVE J. THERIOT, CPA

**DIRECTOR OF ADVISORY SERVICES**

JOY S. IRWIN, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Nineteen copies of this public document were produced at an approximate cost of \$65.65. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.la.state.la.us](http://www.la.state.la.us). When contacting the office, you may refer to Agency ID No. 2646 or Report ID No. 70070022 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.



STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

September 26, 2007

**MR. SAMUEL DIXON, SUPERINTENDENT,  
AND MEMBERS OF THE MADISON PARISH  
SCHOOL BOARD**

Tallulah, Louisiana

We applied our *Checklist of Best Practices in Government* in providing advisory services for the Madison Parish School Board's (school board) business department. In addition, we reviewed the school board's resolution of the audit findings reported in the June 30, 2006, audited financial statements. Attachment I contains our recommendations resulting from our assessment of the financial procedures and practices of the school board's business department and Attachment II provides the status of the June 30, 2006, audit findings. Management's response is presented in Appendix A.

Our recommendations are intended to improve controls over financial operations, provide advice in implementing good business practices, and ensure compliance with state laws. However, management of the school board should consider the costs of implementing our recommendations compared to the benefits they will provide.

This assessment is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards; therefore, we are not offering an opinion on the school board's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

Respectfully submitted,

Steve J. Theriot, CPA  
Legislative Auditor

SGW:ES:JSI:dl

MADSB07

## Recommendations

---



Over the past three school years (2004-2005, 2005-2006, and 2006-2007), the school district has experienced significant turnover in its top leadership. During this time period, the district has been administered by three superintendents and two interim superintendents. We encourage the school board (board) and the newly rehired superintendent to work together as a team, and we anticipate that every effort will be made to provide the stability necessary to bring about lasting improvements in the district.

In addition, for the past four years, the school district has operated without a business manager. We commend the board for recently hiring a business manager to improve controls and operations of the school district. This crucial position involves responsibility for the accurate and efficient management of financial and operating affairs of a school district, including, but not limited to, payroll, accounts payable, financial reporting, budget preparation, and purchasing.

### Recommendations

The following are the recommendations resulting from our advisory services. The recommendations are presented to improve the system of controls that provide for the safeguarding, managing, and accounting for assets of the school district and to ensure compliance with applicable state laws. However, management (school board members and superintendent) of the school district should consider the costs of implementing these recommendations compared to the benefits they will provide. For those recommendations not implemented, management should be aware of the risks of not implementing such controls.

Management's response to the recommendations is included in Appendix A.

### Plan for Future Operations

The school board does not have a strategic plan or operating plan for both short-term and long-range goals. In addition, although the unreserved/undesignated fund balance for the General Fund totals approximately \$2.2 million at June 30, 2006, the school board has been deficit spending in the general fund in each of the previous four fiscal years (FY) as follows:

<u>Fiscal Year</u>	<u>Deficient Spending</u>
2006	(\$228,524)
2005	(398,376)
2004	(1,328,796)
2003	<u>(653,331)</u>
Grand Total	<u><u>(\$2,609,027)</u></u>

Recommendation: We suggest that management

- (1) develop a strategic plan or an operating plan that includes both short-term and long-range goals;
- (2) monitor the plan, at least quarterly, to assess whether the school board is on target with the plan;
- (3) use the plan in the decision-making process and for budgeting (e.g., projects to undertake, major purchases, contracting, et cetera); and
- (4) monitor the financial statements and budget monthly to ensure that operations are within the available funding and that a reasonable fund balance is being maintained.

### **Organization Chart and Job Descriptions**

The school board's organization chart (chart) is very general and does not clearly establish lines of authority and responsibilities. In addition, the chart does not include the job titles and employee names for each position. Also, management has not established written job descriptions for all employment positions.

Recommendation: The chart should be revised to display in graphical form the way work is distributed in the school board and clearly show direct supervisor - subordinate relationships. The chart should show the job titles and employee names for each position. In addition, we suggest that a detailed job description be developed for each position and be communicated to employees to ensure that they have a clear understanding of their duties and responsibilities.

### **Written Policies and Procedures**

The school board's policy manual is not complete and there are no written procedures for the various business functions. Formal written policies and procedures provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and ensure the procedures followed meet management's expectations. Also, written policies and procedures aid in the continuity of operations and for cross-training staff.

**Written Policies** - We recommend the following:

1. **Financial Reporting Policy** - A policy should be developed to ensure that the school board and superintendent will be provided with accurate and complete financial statements and budget comparisons for all funds each month.
2. **Stipend Payment Policy** - Without a formal policy, the school board is paying a significant amount of additional compensation to employees in the form of stipends.

Stipends totaling \$294,790 were paid to employees during the fiscal year ending June 30, 2006, and stipends totaling \$158,422 have been paid during the

11-month period from July 1, 2006, through May 31, 2007. We suggest that a policy be developed that clearly defines the (1) difference between stipend pay and overtime pay; (2) approvals required; (3) eligible activities; (4) class of employees eligible to receive stipend wages; (5) rate(s) of pay; and (6) documentation required.

3. **Credit Card Policy** - A policy should be developed to ensure that controls are established over credit cards. We suggest that the business manager be responsible for credit card issuance, accounting, monitoring, retrieval, and general oversight of compliance with this policy. In addition, a list of all credit cards, authorized users, and credit limits should be maintained on file.
4. **Code of Ethics Policy** - The current policy should be updated to include specific key issues addressed in state law such as nepotism, prohibited activities (e.g., related party transactions), and transactions after termination of public service. In addition, we suggest that an annual certification letter be signed by each board member and all employees attesting to their compliance with the ethics policy.
5. **Annual Operating Budget Policy** - The current policy should be updated to require that a budget message be included in the budget documents in accordance with Louisiana Revised Statute (R.S.) 39:1305(C). The budget message should be signed by the budget preparer and include a summary description of the proposed financial plan, policies and objectives, assumptions, budgetary basis, and a discussion of the most important features.
6. **Records Retention Policy** - The school board should develop and submit a formal records retention schedule, to include e-mail, to the state archivist for approval as required by R.S. 44:411.

**Written Procedures** - We recommend the development of detailed written procedures for the following:

1. Preparing, adopting, monitoring, and amending the budget
2. Purchasing process, including (1) how purchases are initiated; (2) the preparation and approval process of purchase requisitions and purchase orders; (3) checks and balances to ensure compliance with the bid law; and (4) documentation required to be maintained for all bids and price quotes
3. Receiving and distributing incoming mail
4. Processing, reviewing, and approving disbursements
5. Adding and deleting vendors to/from the vendor list
6. Receiving, recording, and preparing deposits for cash receipts
7. Processing, reviewing, and approving time/attendance records and payroll, including leave taken and overtime worked
8. Controlling and monitoring inventories of food and supplies

9. Investing excess cash, including procedures for ensuring that bank balances and investments are fully secured
10. Recording, tagging, and safeguarding capital assets
11. Accounting for the use of credit cards and monitoring the monthly statements
12. Monitoring contracts to ensure that services received comply with terms and conditions of the contracts
13. Backing up and storing computer files off-site and general controls for the computer system

### **Budgeting**

**Budget Procedures Needed** - The school board does not have written procedures for preparing, adopting, monitoring, and amending its budget.

Recommendation: Detailed written procedures should be developed by the business manager to include all steps required for each phase of the budget process, including monitoring and amending the budget during the fiscal year. In addition, a time schedule for preparing the budget and the person responsible for each phase of the budget should be incorporated in the detailed steps.

**Noncompliance With Local Government Budget Act** - The FY2006-2007 budget document does not include a budget message or a proposed budget adoption instrument as required by state law. R.S. 39:1305 (C) requires, among other things, the budget document to include a budget message signed by the budget preparer that includes a summary description of the proposed financial plan, policies and objectives, assumptions, budgetary basis, and a discussion of the most important features and a proposed adoption instrument that defines the authority of the superintendent to make changes within various budget classifications without approval by the board, as well as those powers reserved solely to the board.

Recommendation: The school board should strictly comply with all requirements of the Local Government Budget Act. We also suggest that an overall financial status of the school district be included in the budget message that includes the current financial status, the short-term outlook, and the long-term trends. The emphasis on this analysis should be understandability of the financial status and issues, not necessarily on exact numbers and detail. This analysis should be provided in written form, early in the budget process, so a broad financial framework is available to management of the school board.

**Performance Measures** - Performance measures are not incorporated into the budgeting process. Meaningful performance measures can be a valuable management tool in evaluating each program/department. Performance measurements assist management by (1) identifying financial and program results; (2) evaluating past resource decisions; (3) facilitating qualitative improvements in future decisions regarding resource allocation; and (4) communicating service and program results to the taxpaying public.

Recommendation: Although not required by law, the school board should consider incorporating performance measures into the budgeting process.

### **Monthly Financial Statements**

Financial statements including budget-to-actual comparisons are not prepared monthly or presented to the full board. Without timely, accurate, and complete financial statements, the board cannot effectively exercise its fiduciary responsibilities of managing the school district.

Before our visit, the last financial statement and budget comparisons prepared and submitted to the board's finance committee was dated December 31, 2006 (six months previous).

Furthermore, we were informed that this financial information was not accurate as certain accruals/adjustments (e.g., health insurance and retirement) were not recorded. As of June 26, 2007, current financial information was not available to assess whether the budget should be amended before year-end (June 30, 2007).

Recommendation: The business manager should immediately bring the school district's accounting records up-to-date. Each month, the board should be presented with timely, accurate, and complete financial statements and budget comparisons for all funds, including warnings of any corrective action needed.

### **Bank Account Reconciliation**

The bank account opened during the year to account for transactions related to the sales tax revenue bonds has not been reconciled nor have any of the transactions (e.g., wire transfer payments, et cetera) been recorded in the school board's accounting system/general ledger.

Recommendation: The business manager should ensure that all bank accounts are reconciled each month and that all transactions are recorded in the general ledger.

### **Bank Deposits/Investments**

Procedures are not in place to ensure that bank balances and investments are fully secured as required by Louisiana law. Also, the types of security pledged by the school board's fiscal agent bank are not reviewed to ensure that they comply with state law.

Recommendation: Pledged security notifications should be reviewed monthly by the business manager to ensure that bank balances and investments are adequately secured and that the types of securities pledged comply with state law.

### School Activity Accounts/Funds

**Written Procedures Needed** - Although there is a general policy relating to school activity accounts, management has not established written procedures for the receipt and disbursement of funds for school activity accounts. School activity funds are required to be under the custody and control of the principal and the principal is responsible and accountable for such funds.

Recommendation: To ensure that the receipt and disbursement of money for the various school activity funds is handled consistently from school to school, written procedures should be prepared and disseminated to the principal and bookkeepers of each school.

**Accounting Records in Disarray** - Our inquiries and observations, on June 6, 2007, at Madison High School revealed that, in general, the accounting records are unorganized, incomplete, and/or missing as follows:

- There was no organized filing system maintained for the accounting records (e.g., bank statements, receipt books, deposit books, invoices, et cetera). For example, we observed various records scattered across the bookkeeper's desk and in drawers.
- There was no board approval or documentation supporting what appears to be payroll paid from student activity accounts. Student activity monies were used to pay the school's part-time bookkeeper (\$2,100 was paid during the school year) and to pay various individuals for which the checks were labeled "student work - concession." In addition, the school board's payroll department was not aware of these payments; therefore, employment taxes were not deducted nor were the payments included as income on the individual's Internal Revenue Service (IRS) Form W-2.
- The school activity bank account has not been reconciled in over one year. The last month reconciled was June 2006.
- We could not determine the cash balance in the school activity checking account because the transaction register maintained on computer was not complete and kept up-to-date. The last entry in the register was dated in March 2007 (three months previous) and the register did not include all deposits and disbursements activity before that date.
- A separate accounting of the deposits and disbursements for each school activity (e.g., athletics, senior trip, et cetera) was not maintained. As a result, we could not determine the balance for each activity nor could we determine if an activity was borrowing money from another activity.
- Deposit slips and receipt records were missing.
- Invoices were missing. For example, there were no invoices to support electronic (ACH) payments, totaling \$22,163, made out of the student activity checking

account to Sam's Club during the 11-month period from July 1, 2006, to May 31, 2007. (Note: As of the date of this report (September 26, 2007), the superintendent and principal are in the process of obtaining complete documentation from Sam's Club for our review.)

- Paid invoices that were available did not reflect the written authorization/approval (e.g., initials) of the principal. In addition, there was no documentation on the invoices as to the specific school activity it related to. Also, invoices were not marked "paid" and they did not evidence the check number or date paid.
- Formal expense reports were not completed for monies advanced or reimbursed to employees.

Recommendation: The school board should take action necessary to ensure that (1) accounting records are centrally maintained and filed in an organized manner to safeguard them from being misplaced or lost and to prevent unauthorized personnel from having access to them; (2) all payroll is approved by the board and only processed through the payroll department; (3) bank accounts are reconciled each month and reviewed/approved by the principal; (4) a separate accounting is maintained of the deposits and disbursements for each school activity; (5) all deposit and receipt records are accounted for and maintained; (6) all invoices, including those supporting electronic (ACH) payments, are accounted for and maintained; (7) written authorization of the principal is documented for all transactions related to school activity accounts; (8) invoices are marked "paid" and reflect the check number and date paid to prevent duplicate payment; and (9) formal expense reports are completed for all monies advanced or reimbursed to employees.

**Lack of Controls Over Ticket Sales and Concession Sales** - Our inquiries and observations, on June 6, 2007, at Madison High School revealed that there are no controls over tickets and monies collected at football and basketball games.

Recommendation: The school board should require all principals to establish and implement controls to ensure that (1) there is documentation of the number of tickets (including the beginning and ending ticket numbers) available for sale and issued to the seller(s); (2) a receipt is prepared and a copy given to the seller(s) that documents the total monies being turned in, including the number of tickets issued and the number of tickets being returned unsold; (3) a reconciliation is prepared comparing the number of tickets sold with the amount of monies collected and deposited into the student activity account; (4) collections are placed in the bank's night depository for deposit the next business day; (5) unsold tickets are retained for audit purposes; and (6) concession sales reports are prepared, reconciled to monies deposited, and maintained for audit purposes.

**Monthly Reporting Needed** - Activity (receipts and disbursements) in the school accounts is not reported to the board on a monthly basis nor is the activity audited or reviewed by someone from the central office during the school year.

Recommendation: Each school principal should be required to submit monthly financial reports to the board. In addition, we suggest that the business manager or designee periodically perform

surprise reviews of each school's records during the year, so that if a problem does exist, it can be resolved in a timely manner.

### **Purchasing and Disbursements**

#### **Controls Over Purchasing and Disbursements Need Improvement**

1. Purchasing is not centralized. Each department (e.g., General Fund, Federal Programs, Special Education, Maintenance, Food Services, and Sales Tax) of the school board is responsible for its own purchasing.

Recommendation: To promote operational efficiency and incorporate a proper system of checks and balances, the school board should consider centralizing all its purchasing and creating a purchasing agent position to implement and manage the purchasing process. A centralized purchasing process allows departmental purchases to be readily aggregated to ensure that the school board is complying with the Public Bid Law.

2. The school board uses a manual purchase order system that does not prevent purchase orders from being issued when funds are not available.

Recommendation: We suggest that the school board consider replacing the manual purchase order system with an automated system which would ensure that purchase orders are created only when budgeted funds are available. An automated system keeps staff from overspending and enables them to know how much money is available for new commitments.

3. Purchases of recurring items, such as paper supplies and janitorial supplies, did not individually exceed the dollar thresholds requiring bids or three quotes; however, total purchases of these items during the fiscal year did exceed the dollar threshold amount (\$20,000) to be bid.

Recommendation: The school board should review annually all items purchased frequently and consider requesting bids for such items to ensure the lowest possible prices and compliance with the bid law. Also, this would be a more efficient way to purchase these items as price checks or quotes would not be necessary each time an order is placed.

4. Accounts payable/disbursements are not centralized. Each department has its own bookkeeper who performs duties that are incompatible for a proper system of checks and balances. Each bookkeeper (1) records disbursements in the accounting system/general ledger; (2) prepares and prints checks; (3) mails/distributes the checks; (4) maintains the invoices and records; (5) prepares and enters journal entries in the general ledger; and (6) reconciles the bank account, all without supervisory review.

Recommendation: The school board should consider centralizing all of its accounts payable/disbursement functions. All bookkeepers should be cross-trained so that duties can be separated so that no single person controls all facets of a financial function. In addition, the business manager should review and approve the work of all bookkeepers.

5. The supply of blank/unused checks is not maintained under lock.  
Recommendation: The supply of unused checks should be secured under lock at all times and only accessible by authorized employees.
  6. Checks issued/paid outside the regular biweekly payment schedule are not always reported to the board.  
Recommendation: All checks issued by the school district should be reported to the board without exception.
  7. A copy of the approved purchase order and requisition is not sent timely to the business department.  
Recommendation: Purchase orders and related purchase requisitions should be submitted to the business department upon issuance to a vendor.
  8. Vendor invoices are generally sent to the department making the purchase rather than the business department.  
Recommendation: All vendor invoices should be mailed directly to the business department for matching the purchase requisition, purchase order, and receiving report.
  9. Documentation supporting purchases made under the public bid law is not maintained in a central location.  
Recommendation: Bid documentation should be centrally maintained in a bid folder that includes, at a minimum, the following:
    - Bid notification letters that include the contract, plans, and specifications
    - Documentation that bids were properly advertised
    - Bid opening documentation including tabulation sheet and indication of selected bid
    - Copies of board minutes relating to the bid process and the awarding/approval of the contract
    - Notification to purchasing department of bids accepted to ensure that purchase requisitions/purchase orders agree to bid amounts
  10. There is little control over credit cards. On the date of our visit, the number of credit cards issued in the name of the school board was unknown and the persons possessing such credit cards had not been determined. In addition, documentation to substantiate charges made using credit cards was not always attached to the monthly credit card statements.  
Recommendation: The board should review the need for credit cards and adopt a policy addressing their use. The business manager should retrieve and account for all credit cards issued in the name of the school board and cards that cannot be accounted for
-

should be canceled immediately. In addition, the school board should require that detailed receipts be turned in supporting the business nature of all expenditures, without exception.

11. Checks and balances over fuel (gasoline and diesel) charged at a local vendor need to be improved.

Recommendation: The school board should:

- Require the recording of the odometer reading, number of gallons dispensed, price per gallon, and vehicle description on the charge ticket
- Require the transportation director to prepare a monthly analysis or summary by vehicle from the charge tickets that includes, at a minimum, the number of gallons dispensed, miles traveled, and miles per gallon
- Require the transportation director to review fuel tickets and statements for reasonableness, including accurate odometer readings, the dates of use, and gallons purchased

12. The school board used public funds for the following expenditures that do not appear to have a public purpose:

- A \$5,000 payment was made to Tallulah Elementary School to subsidize the student's Beta Club trip, in April 2006, to Washington, D.C.
- Personal use of cellular phones issued to employees is not always reimbursed by employees in accordance with the school board's "Employee Cell Phone Policy." For example, the school board's monthly cellular phone bill dated April 24, 2007, reflected charges totaling \$17.92 for downloading "ringtones" and music that was not reimbursed by employees.
- Dessert/party food was purchased on various occasions during the year. For example, \$62.61 was spent on "Cake for Administrative Professional Week" and \$54.83 was spent on "King Cakes."

Recommendation: The school board should cease using public funds for expenditures that lack a public purpose.

13. There is no formal approval process for adding and deleting businesses to/from the vendor list. As of June 26, 2007, there were 2,193 active vendor numbers in the accounts payable system.

Recommendation: Procedures should be developed for adding and deleting vendors to/from the vendor listing. Also, the ability to make changes to the vendor listing should be restricted and all additions/deletions should be approved by the business manager.

## Payroll and Attendance Records

### Controls Over Payroll Need Improvement

1. The payroll accountant performs a variety of duties relating to payroll disbursements that are incompatible for a proper system of checks and balances. Without supervisory review, the payroll accountant (a) records the payroll data in the accounting system; (b) makes changes to employee data/information; (c) prepares and prints checks; (d) uses the check-signing machine to sign the checks; and (e) distributes the checks.

Recommendation: Accounting responsibilities should be segregated so that no single individual controls all facets of a financial function. We suggest that the business manager or designee review the payroll register for propriety each pay period.

2. Controls over the check-signing machine (machine) are inadequate. The payroll accountant maintains sole control of the key to the machine and the supply of blank payroll checks is not maintained under lock.

Recommendation: The key to the machine should be placed under the control of two employees (dual control) who have no disbursement responsibilities/functions. Also, two people should be present when payroll checks are signed to ensure that the number of checks signed (meter reading) is reconciled to the number of checks listed on the payroll check register. The reconciliation should be signed and dated by both individuals and reviewed and approved by the business manager. Also, the supply of unused checks should be secured under lock at all times and only accessible by authorized employees.

However, as an alternative, the board may consider changing to an electronic method (i.e., direct deposit) of paying its employees as it would eliminate the use of checks and the check-signing machine.

3. A computer-generated report is available that shows all changes made to payroll; however, it was not printed each pay period and reviewed for accuracy.

Recommendation: For a proper system of checks and balances, we recommend that someone independent of the payroll department review all changes made to payroll each pay period and compare to written authorization.

4. Although the FY2006-2007 salary tables for teachers were “updated” by someone independent of the payroll department, the salaries were not reviewed and approved by a supervisor.

Recommendation: Any changes made to salary tables should be reviewed and approved by an appropriate supervisor.

5. The school board did not execute written employment contracts with non-tenured teachers as required by state law. R.S. 17:413 states, “No person shall be appointed to teach without a written contract for the scholastic year in which the teaching is to be done.”

Recommendation: The school board should execute written contracts with its non-tenured teachers in accordance with law.

6. The reconciled balance of the payroll bank account was negative for six of the previous 10 months. The payroll bank account operates on a zero-balance imprest basis, which means that monies are periodically transferred into the payroll account in the exact amount of the expenditures so that a zero balance results after checks have been paid/cleared.

Recommendation: To eliminate the negative balances, monies should be transferred from the General Fund to the Payroll Fund on a timelier basis. Also, we suggest that management address the various reasons additional payrolls are being run each month (payroll errors, paperwork received late, et cetera) so that procedures can be implemented to reduce the number of payrolls and, in turn, reduce the number of transfers required.

**Attendance Records** - Our general observations and inquiries revealed the following:

- School sign-in sheets are not sent to the payroll department for comparison and reconciliation to the absentee/leave forms and substitute teacher forms.

Recommendation: The school board should require the principals to document their approval and submit the sign-in sheets to the payroll department each pay period, without exception.

- Employees working in the central office are not required to document the hours they work.

Recommendation: The school board should require all administrative staff and other 12-month employees to complete simple time reports to document hours worked and leave taken. The appropriate supervisors should document their approval and submit the time reports to the payroll department each pay period, without exception.

- The superintendent's personnel file did not contain a certificate from a physician certifying his absence for the three-month period from January 7, 2007, to April 13, 2007. According to the school board's Personnel Policy, "An employee who is absent for six (6) or more consecutive days shall be required to present a certificate from a physician certifying such absence upon return to work."

Recommendation: The superintendent should supply a certificate from a physician certifying his absence during that period.

### Sales Tax Department

The school board centrally collects and administers sales tax receipts on behalf of certain taxing authorities in the parish. Our review of controls over the operations of the sales tax department revealed the following:

**Written Policies and Procedures Needed** - Management has not established written policies and procedures for the receipt and disbursement of sales tax receipts.

Recommendation: We suggest that formal policies be developed and procedures implemented related to the following:

- Receiving, recording, and preparing deposits for tax receipts
- Processing, reviewing, and approving disbursements to taxing authorities
- Monthly reporting of the operations/activity of the sales tax department
- Investing cash, including procedures for ensuring that bank balances and investments are fully secured
- Collecting delinquent accounts, including filing suit for non-filing/payment of sales taxes
- Identifying new businesses (e.g., review of utility connections and occupational licenses issued) and ensuring they are collecting and remitting taxes
- Selecting businesses for audit

**Supervisory Review Needed** - The sales tax department is administered solely by a bookkeeper who performs incompatible duties for a proper system of checks and balances and whose work is not reviewed and approved. For example, without supervisory review, the bookkeeper (1) prepares deposit slips and makes the bank deposits; (2) records the deposits in the accounting system/general ledger; (3) prepares, prints, and mails the checks; (4) records the checks/disbursements in the accounting system; (5) calculates the monthly expenses allocated to the taxing authorities; and (6) reconciles the bank account.

Recommendation: The business manager should review and approve the work of the sales tax bookkeeper. Duties should be segregated so that no single person controls all facets of the operations of the sales tax department

**Accounting Records in Disarray** - Our inquiries and observations, on June 14, 2007, revealed that, in general, the accounting records of the Sales Tax department are unorganized, incomplete, and/or missing. For example, we determined the following:

- No organized filing system is maintained for the accounting records. We observed records in multiple locations that were maintained in a haphazard manner.

- Monthly reports (both the manually calculated expense allocation reports and the computer-generated sales tax reports) were missing for October and December 2006.
- The sales tax distribution amounts calculated for March 2007 did not agree with the actual checks issued to taxing authorities.
- The calculation of expenses allocated to taxing authorities did not always include salaries.
- The sales tax bank account has not been reconciled for the previous six months. The last month reconciled was November 2006.

Recommendation: The accounting records should be centrally maintained and filed in an organized manner to safeguard them from being misplaced or lost and to prevent unauthorized personnel from having access to them. Also, the business manager's review should ensure that expense allocations are calculated correctly, disbursements to taxing authorities are accurate, and bank statements are reconciled monthly.

#### **Additional Controls Needed**

1. The supply of blank/unused checks is not maintained under lock.

Recommendation: The supply of blank checks should be secured under lock at all times and only accessible by authorized employees.

2. Access to the computer system is not restricted to authorized personnel. The computer is located in an unlocked room in the central office and is accessible to all employees who enter that area.

Recommendation: We suggest that the computer be maintained in a room that can be locked so that access can be restricted to authorized personnel.

#### **Grants Management**

**Requests for Reimbursement Not Timely** - Certain federal grant program's (Title I, Title IIa, Title IV, and Title V) *Request for Funds* forms were not completed and submitted timely to the state Department of Education for reimbursement.

Recommendation: The business manager should ensure that all requests for reimbursement of funds are filed on a monthly basis. Delays in reimbursement can cause unnecessary cash flow problems in the general fund.

**Supervisory Review Needed** - The Title I bookkeeper's work is not reviewed and approved. Without supervisory review, the bookkeeper performs incompatible duties for a proper system of checks and balances. For example, without supervisory review, the bookkeeper (1) records deposit and disbursement activity in the accounting system/general ledger; (2) prepares, prints, and distributes checks; (3) reconciles the bank statement; and (4) prepares and submits the reimbursement requests to the state Department of Education.

Recommendation: The business manager should review and approve the work of the federal programs' bookkeeper. Duties should be segregated so that no single person controls all facets of the financial operations of the programs.

### **Capital Assets**

The school board pays an annual stipend of \$6,000 to an employee to perform the duties of property manager (e.g., perform physical inventory, maintain current listing of capital assets, submit a quarterly status report to the board, et cetera); however, recurring findings in the school board's annual audits and our inquiries revealed the duties were not being performed.

1. Although the employee has been paid the \$6,000 annual stipend since 2002, there has been an audit finding the previous four years for the school board not maintaining a current fixed asset listing.
2. Last fiscal year (FY2005-2006), the school board paid an accounting firm to update the capital asset listing.
3. As of the date of our visit (June 12, 2007), the detailed listing was not current and a physical inventory has not been conducted for the current school year. Good controls over capital assets require that (1) detailed asset records be current; (2) every asset includes a tag identifying it with a number that can be cross-referenced to the detailed asset records; and (3) a physical inventory be conducted at least on an annual basis. In addition, state law [R.S. 24:515(B)(1)] requires the school board to maintain records of all land, buildings, improvements other than buildings, equipment, and any other capital assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost.
4. The last quarterly status report provided to the board was dated June 2004 (three years previous).
5. The detailed listing is not reconciled with the general ledger control account.
6. No formal procedures are in place to ensure that property additions and deletions are communicated timely to the insurance company.

Recommendation: Management should require the designated employee to perform the duties of property manager for which he/she is being paid. The property manager should (1) update the detailed listing when assets are purchased or disposed; (2) ensure all assets are tagged and appropriately cross-referenced to the detailed listing; (3) take periodic physical inventories and account for all differences; (4) prepare and submit quarterly reports to the board; (5) reconcile the detailed listing to the general ledger control account monthly; and (6) ensure property additions and deletions are communicated timely to the insurance company.

### **Attorney Contracts**

There are no written contracts between the school board and its attorneys. During the 11-month period from July 1, 2006, through May 31, 2007, a total of \$138,634.78 was paid to four different law firms for various legal services. Good business practices require written contracts/agreements for services setting forth the specific terms and conditions. Such contracts help ensure that services received comply with the board's expectations.

Recommendation: We recommend that all agreements for services (legal or otherwise) with third parties be in the form of a written contract and that all contracts be maintained in a centralized location at the central office.

### **Food Inventory**

The school district's food inventory is maintained using a manual system rather than on a computerized perpetual (continuous) inventory system. A perpetual inventory system is generally regarded as an acceptable method of controlling inventory and safeguarding assets. Use of a perpetual inventory system allows the school board to record receipt of goods at the time of purchase and the issuance of goods as they are withdrawn for use. At any point in time, a count of goods on hand should agree to the balance in the inventory system.

Recommendation: We suggest that the Food Services Department use its computer software and account for its goods using a perpetual inventory system. This system should allow book inventory to be reconciled to stock on hand as often as after each transaction.

### **Computer Controls**

**Physical Security** - Access to the server for the school board's computer system is not restricted to only authorized personnel. The server is located in an unlocked room in the central office and is accessible to all employees who enter that area.

Recommendation: We suggest that either the room where the server is located be locked or the server be moved to a location where access can be restricted.

**System Data Access** - Employees have access to software applications (e.g., payroll) which are not necessary for their day-to-day duties and responsibilities.

Recommendation: We suggest that the business manager and a representative of the software vendor review access by employees to system data. Access to applications which are not necessary for day-to-day duties and responsibilities should be restricted. In addition, controls should be established to provide reasonable assurance that data is protected from unauthorized use and modifications.

**System Backup** - Although the accounting system is backed up daily, the back-up files are not stored off-site each day.

Recommendation: We suggest that the back-up files be stored off-site each day and kept in a secure place.

### **Disaster Recovery and Business Continuity**

The school board does not have a disaster recovery/business continuity plan for the business operations of the district.

Recommendation: We suggest that a formal written disaster recovery/business continuity plan be prepared and tested/revised annually. Having a formal written plan is a good business practice as it will provide the steps to be performed to continue school district operations in the event of a natural disaster, fire, or terrorist attack.

This page is intentionally blank.

The following represents a summary of the audit findings reported in the June 30, 2006, audited financial statements (reported by the school board’s independent auditor) and the disposition of those findings based on our inquiries and general observations as of June 26, 2007. Management’s response is included in Appendix A.

June 30, 2006, Audit Findings	Disposition as of June 26, 2007
1. <b>Budget document incomplete</b> - Budgets were not prepared for the special revenue funds nor did the budget contain a message signed by the preparer as required by law.	<u>Partially Resolved</u> : Budgets were prepared for the special revenue funds for the 2007 fiscal year; however, the budget did not contain a budget message.
2. <b>Decentralized accounting system</b> - The accounting system is decentralized among the various departments of the school board.	<u>Unresolved</u> .
3. <b>Capital asset records not updated</b> - The records are not maintained on a current and accurate basis.	<u>Unresolved</u> .
4. <b>Unclaimed property not filed with state</b> - Old outstanding checks dating back 20 years have not cleared the bank.	<u>Unresolved</u> .
5. <b>The General Fund budget not amended in accordance with law</b> - The budget was not amended when actual expenditures exceeded budgeted expenditures by more than 5%.	<u>Not Determinable</u> . Current financial information was not available to assess whether the budget should have been amended before year-end (June 30, 2007).

This page is intentionally blank.

## Management's Response

---



## Summary of Audit Findings

---





# Madison Parish School Board

Post Office Box 1620  
Tallulah, Louisiana 71284-1620  
(318) 574-3616

Board President:  
*Joe L. Walk*  
Superintendent:  
*Samuel Dixon*

September 14, 2007

Steve J. Theriot, CPA  
Legislative Auditor  
State of Louisiana  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

This communication comes to you as a result of the recent best practices audit conducted by your staff. Based upon the review of the internal controls of the Madison Parish School District (MPSD), the following recommendations were made:

### **Recommendation #1: Plan for Future Operations**

As recognized by the legislative audit team, MPSD has experienced several leadership turnovers in the past three years and has operated without a business manager for the past four years thereby causing some unstable conditions concerning the financial matters of the school district. With the recent hiring of two key personnel, MPSD can now work to improve planning for district operation in the future.

### **Recommendation #2: Organizational Chart and Job Description**

MPSD will develop an organizational chart which will clearly define the lines of authority and identify, by name, the individuals occupying those positions. In addition, under the leadership of the business manager, the business department is in the process of a reorganizing and job descriptions are being developed for all positions within the department.

### **Recommendation #3: Written Policies and Procedures**

1. **Financial Reporting Policy:** The business manager, assistant business manager, and members of the Madison Parish School Board's (MPSB) Finance Committee will work diligently to develop a written policy as it pertains to the financial reporting of the business department. This policy shall include when reports should be generated and the method of presentation by the business manager to the superintendent and MPSB.
2. **Stipend Payment Policy:** The business manager, assistant business manager and the Assistant Superintendent will research the viability of stipend payments for programmatic

funds and seek to determine criterion that will necessitate the need for stipend payments from such funds. Upon the completion of such research, the committee will then develop a stipend policy for review and approval by the superintendent and MPSB.

3. **Credit Card Policy:** The superintendent and the business manager will develop a written policy for credit card use. This policy will include the business manager being responsible for the issuance of cards to authorized users, maintaining files as to the types of cards issued in the name of MPSB, and the number of cards outstanding for each open and active account.
4. **Code of Ethics Policy:** The personnel evaluation committee will be required to meet annually to review the current policy and make revisions as necessary. In addition, the district will develop an annual certification letter for its employees and require that the letter is signed at the beginning of each school year.
5. **Annual Operating Budget Policy:** MPSB will adopt a policy requiring that the budget is presented with a budget message prepared by the superintendent with the assistance of the business manager.
6. **Records Retention Policy:** MPSD has contacted their legal counsel concerning records retention and is awaiting legal advice on how to proceed with preparing and adopting such a policy. Once communication has been received from the legal counsel, MPSD will proceed based upon the advice provided to develop a records retention policy.

**Written Procedures:** Written procedures will be developed and implemented for office personnel to follow in the following areas:

- Preparing, adopting, monitoring, and amending the budget
- Purchasing
- Documenting incoming mail, as well as the distribution method
- Disbursements
- Maintenance of vendors
- Cash deposits
- Processing timesheets and payroll
- Monitoring food inventories
- Investing Cash
- Acquisition and disposal of capital assets
- Accounting for credit cards
- Monitoring contractual agreements
- File back-ups and storage

#### **Recommendation #4: Budgeting**

Guidelines will be developed for the preparation and adoption of the annual budget. As recommended by the legislative audit team, the message will seek to provide insight to the financial status of MPSD with reference to the short-term and long-term goals of the district.

**Recommendation #5: Monthly Financial Statements**

The business manager will provide members of the full board with timely and accurate information for program funds, as well as for the general fund. The board will be presented with revenue to current expenditures on a monthly basis.

**Recommendation #6: Bank Account Reconciliation**

The business manager will ensure that bank reconciliations for all accounts are done in a timely manner.

**Recommendation #7: Bank Deposits/Investments**

The business manager will implement procedures to ensure that bank balances and investments are fully secured as well as review the pledged securities for compliance with state laws.

**Recommendation #8: School Activity Funds**

MPSD recognizes the need for oversight and management of school activity funds by district office personnel. To assist in the oversight of such funds, MPSB has recently developed and adopted a school activity fund manual which now requires reporting of those funds to the district office on a monthly basis. **See attachment.**

**Accounting Records in Disarray:** As aforementioned, MPSB has adopted and implemented a school activity fund manual which details the procedures that school personnel must follow in maintaining documentation pertaining to the those funds. The manual also now prohibits the payment of supplemental pay directly to school personnel and such payments must be submitted to the central office along with a school activity fund check and timesheets for payment. In addition, Madison High School has been assigned personnel that can better accommodate the needs of the school in the area of bookkeeping.

**Outstanding Invoices:** Our office has contacted Madison High School requesting that invoices be requested from Sam's Club and submitted to this office for submission to the Legislative Auditor. **See attachments.**

**Recommendation #9: Purchasing and Disbursements**

1. **Purchasing is not centralized:** The business manager has restructured the business department. With this restructuring, the department will now have an individual to serve as purchasing agent for the district.
2. **Use of manual purchase order system:** The purchasing agent will be responsible for implementing a computerized method of purchasing. The new procedure will ensure that programs funds are available before the items are purchased thus reducing the likelihood of such expenses becoming an obligation to the general fund.

3. **Purchases of recurring items:** The business manager is in the process of creating a purchasing manual which will be presented to the board for adoption. This manual will detail the procedures in which the purchasing agent must follow thus increasing the probability that state bid laws will be adhered to.
4. **Accounts payable/disbursements are not centralized:** As aforementioned, the business department has been reorganized to segregate duties. All accounts payable transactions will be processed by one individual with the business manager and/or designee giving final approval over disbursements.
5. **Unlocked supply of blank/unused checks:** The unused check stock has been relocated within the central office and is locked until checks are ready to be used for printing.
6. **Presenting all disbursements to the board:** The business manager will ensure that all checks are presented to the full board for approval.
7. **Copies of purchase orders and requisition submission:** As aforementioned, the business department will now have a purchasing agent. The purchasing agent will review requisitions before issuing a purchase order. Upon verification of availability of funds, the purchasing agent will submit requisitions for approval by the superintendent and/or the business manager. After receiving approval, a purchase order will be completed and these documents will then be forwarded to the accounts payable clerk.
8. **Vendor invoices:** The purchasing agent will request that vendor invoices be printed in duplicate copies. This procedure will allow for the purchasing agent, the accounts payable clerk, and the department receiving goods to verify the accuracy of the items shipped and make any necessary adjustments in disbursements to the vendor.
9. **Public bid law documentation:** The purchasing agent will be required to maintain a file of all bid request and the final approval of bids accepted.
10. **Credit cards:** The business manager is in the process of collecting and canceling unnecessary credit accounts as well as maintaining a list of credit cards and those authorized to use district credit cards.
11. **Fuel checks and balances:** The supervisor of transportation has developed fuel vouchers which detail the type of vehicle, mileage, the vehicle license plate number, driver's license number of the individual, driver's name printed, and signature of driver. The vouchers are printed by number and must have prior approval by the transportation supervisor.
12. **Oversight of public funds:** The district has had little oversight over its finances for the past four years. However, with the recent hiring of a business manager the school board will have greater accountability for use of public funds.

13. **Procedures of adding and deleting vendors:** The business manager, the accounts payable clerk, and the purchasing agent will periodically review the list of active vendors and establish procedures for deleting vendors that are no longer in use.

#### **Recommendation #10: Payroll and Attendance Records**

1. **Segregation of duties in payroll:** The business department has been restructured in such a way that does not allow for the payroll clerk to perform all the duties related to payroll and personnel. With the addition of a personnel manager and a personnel assistant, new employee transactions will be generated from the personnel department. In addition, the personnel department is in the process of developing a personnel action form which will be used to process transactions in the payroll department, including the change or salaries, terminations, etc.
2. **Control of the check signing machine:** The check signing machine will be housed in a different location from that of the payroll clerk. Before each use, the payroll clerk will have to request the check signing machine key from the business manager and/or designee. In addition, checks can only be printed in the presence of two people who will document the number of checks to be printed as well as document the number on the check counter before and after printing.
3. **Changes made to payroll:** The business manager and/or designee will review and approve changes made in payroll each month.
4. **Changes to the salary schedule:** Changes made to the salary schedule will be presented to the superintendent for approval before submission to the school board for approval.
5. **Teacher contracts:** The personnel department will develop written contracts that will be issued to teachers before the close of each school year for signatures.
6. **Payroll bank balances:** The business manager will ensure the accuracy of funds being transferred to the payroll account and that transfers are processed in a timely manner to avoid negative balances. Also, the business manager has separated payroll into two pay cycles each month. All regular employees will be paid on the 25<sup>th</sup>, while substitutes and stipends payments will be issued on the 10<sup>th</sup> of each month thereby reducing the number of errors and thus allowing the payroll clerk ample time to review payroll before processing.

**Attendance Records:** The district is in the process of developing sign-in procedures for the school sites as well as 12-month employees and those in the central office.

**Superintendent absence:** Documentation relating to the superintendent's absence has been placed in his personnel file.

**Recommendation #11: Sales Tax Department**

The sales tax department has been assigned a degreed accountant who will oversee the operations of the sales tax department. This individual will also assist in developing written policies and procedures for the department as well as assist in the organization of departmental records and verify the accuracy of disbursement to the taxing bodies.

**Recommendation #12: Grants Management**

The federal programs bookkeeper will be required to prepare and submit reimbursements to the state department on a monthly basis. In addition, the federal programs bookkeeper will no longer perform duties without the oversight of the business manager.

**Recommendation #13: Capital Assets**

The superintendent and the business manager will meet with the fixed asset manager to inform him of the duties and expectations required in managing the district's fixed asset inventory. The fixed asset manager will be required to document and tag all items in excess of \$999 and maintain all pertinent information in the computerized fixed asset software. In addition, the business manager is in the process of developing a fixed asset manual which will better detail the procedures the fixed asset manager should implement within his job related duties.

**Recommendation #14: Attorney Contracts**

The school board will require all legal counsel to submit contracts for approval prior to providing legal services to the school district.

**Recommendation #15: Food Inventory**

The MPSD has purchase computerized software for maintaining perpetual inventory. School personnel are in the process of being trained to use the software.

**Recommendation #16: Computer Controls**

**Physical Security:** The District Technology Coordinator will be asked to assess the controls of computer software and present viable options for the storage of servers.

**System Data Access:** The business manager will evaluate the need for employees to have access to programs in the accounting software. Once an evaluation is made, access will be limited for use to those requiring it.

**System Backup:** The business manager and/or designee will be required to take back-up tapes to an offsite location each day.

**Recommendation #17: Disaster Recovery and Business Continuity**

The superintendent will appoint a committee to develop a disaster recovery and business continuity plan for approval by the school board.

Mr. Theriot, we realize that all areas need immediate attention. However, we are confident with appropriate staff in place these issues will be adequately addressed. Moreover, it is not the intent of MPSB to violate the guidelines established by LA RS 17:84.2 and as set forth by the State Board of Elementary and Secondary Education. It is our expectation that these issues will be rectified. In addition, timelines will be established for the correction of the aforementioned areas and progress will be monitored to determine if MPSB has satisfactorily met the compliance requirements as set forth by the Louisiana Legislative Auditor's Office. As progress is noted, our office will notify you in writing of the actions taken in each area until all areas have been addressed.

If you have any questions, please do not hesitate to contact me by email at [Samuel.dixon@madisonpsb.org](mailto:Samuel.dixon@madisonpsb.org) or you can reach me by phone at 318.574.3616.

Sincerely,



Samuel Dixon  
Superintendent of Schools



# Madison Parish School Board

Post Office Box 1620  
Tallulah, Louisiana 71284-1620  
(318) 574-3616

Board President:  
*Joe L. Walk*  
Superintendent:  
*Samuel Dixon*

September 13, 2007

Will Rogers, Principal  
Madison High School  
800 Wyche Street  
Tallulah, Louisiana 71282

Dear Mr. Rogers:

This letter comes to you in reference to the school activity fund audit which was conducted by representatives from the Louisiana Legislative Auditor's Office. As a continuation of the auditing process, the Legislative Auditor's office has requested that your school provide detailed invoices for the Sam's Club accounts which were established by your school.

As per our contact with Sam's Club, detailed information relating to the two (2) accounts in question must be requested by you, Will Rogers, as the primary cardholder. Once your office has requested this information from Sam's Club, I am requesting that you respond to this notice, in writing, as to your efforts to comply with the Legislative Auditor's request.

Your cooperation in this matter is greatly appreciated. If you have any questions or concerns, please do not hesitate to contact me at 318.574.3616 or email me at [Samuel.dixon@madisonpsb.org](mailto:Samuel.dixon@madisonpsb.org).

Sincerely,

Samuel Dixon  
Superintendent of Schools

By signing below you are acknowledging receipt of this notification date September 13, 2007 concerning the Louisiana Legislative Auditor's request for detailed invoices for the Sam's Club accounts at your school.

## MADISON HIGH SCHOOL

**Will Rogers, Principal**  
**Claude Tate, Assistant Principal**

**Linda Holmes, Secretary**  
**Linda Whitney, Asst. Secretary**

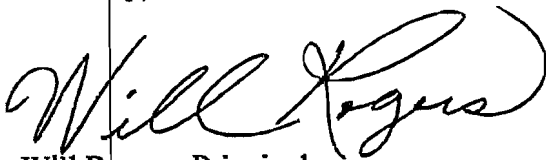
September 17, 2007

**Samuel Dixon, Superintendent**  
**Madison Parish School Board**  
**300 South Chestnut Street**  
**Tallulah, Louisiana 71282**

Dear Mr. Dixon,

This letter is in response to the one I received, as per your request the steps that I have taken on the Sam's Club accounts. I have taken the steps to request statements from Sam's Club. The Sam's Club representative stated that statements will take 7 - 14 days to process. Also, I asked the representative to send itemize statements if possible due to the fact that it was not apart of the regular billing. I also asked the representative if the statements could be sent priority or overnight, and the answer was still 7 - 14 days.

Sincerely,



**Will Rogers, Principal**

SEP 17 2007 PM 2:21

**800 Wyche Street**  
**Tallulah, Louisiana 71282**  
**Phone: 318.574.3529 Fax: 318.574.5943**