

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Boecker Parish School Board
Bossier, Louisiana

July 19, 2002



Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

Legislative Auditor

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BOSSIER PARISH SCHOOL BOARD
Bossier, Louisiana

Dated June 13, 2002

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 and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

July 18, 2002



JAMES A. BULLOCH, CPA, CMA
LEGISLATIVE AUDITOR

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June 13, 2002

Mr. Kenneth H. Kaulthof
Superintendent
Bossier Parish School Board
P.O. Box 2000
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Dear Mr. Kaulthof:

On April 2, 2000, the Bossier Parish School Board requested we review procedures and practices of its finance department and report any findings. In addition, the board requested that we review four specific areas of concern.

As a result, we performed a limited review of the following areas of concern. Attachment I provides our recommendations for board consideration.

Specific Areas of Concern

1. The budget process including formulation and revisions
2. Policy relating to the report of detailed financial information provided to the board
3. Delinquent payroll taxes resulting in penalties and fines

Results of Review

The practices and procedures used by the Director of Finance in monitoring and reporting on the budget are adequate. Attachment I, Budget Process, provides recommendations to improve the board's budgeting function.

We recommend the board be provided monthly financial statements and budget comparisons for all funds (see Attachment I, Budget Process - Reporting to Board).

These penalties and fines relate to state withholding deposits. The first penalties resulted in August 1998, when the state first required electronic deposits and the school board made the deposit by check. This procedure was corrected by the school board in 1999. Other penalties assessed by the state were for filing tax deposits late. The school board was trying to maximize the interest earnings on its funds by making the payroll tax deposit on the day they were due. However, because of an oversight, the deposits were made late. This issue has been addressed by the Financial Director and corrective measures have been put in place to ensure timely tax deposits. Attachment I, Disbursements, provides additional recommendations to improve the board's disbursement procedures.

Specific Areas of Concern

4. Leave and retirement benefits as specified by state law that may have affected school board employees for the past four years.

Results of Review

We reviewed the applicable state laws and the school board's leave policies relating to the disposition of accumulated sick and annual leave balances upon retirement and termination of employment with the school board. For the employees we selected for detailed testing that either retired or terminated their employment with the school board, we did not find any exceptions as to how their accumulated sick and annual leave balances were applied by the school board.

We also performed a limited review of the Bossier Educational Excellence Fund (BEEF) for the period July 1, 2001, through June 30, 2002. This review evaluated board progress in implementing the suggestions contained in our report issued on March 29, 2000. We reported that the school board (1) violated state law by expending monies from the principal portion of the BEEF; (2) invested the BEEF principal in certain securities that were not provided by state law; and (3) did not adequately report detailed information relating to the collection, investment, and individual schools' specific expenditures made. Our review revealed that the school board has corrected these findings. In addition, we reviewed specific expenditures made for certain individual schools from the interest earnings of the BEEF to ensure that they were used exclusively for educational enhancements. No exceptions were noted in our review of these specific expenditures.

A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Sincerely,



Daniel D. Kyle, CPA, CFE
Legislative Auditor

Attachment I
Recommendations

BOSSIER PARISH SCHOOL BOARD
Benton, Louisiana

RECOMMENDATIONS

The following are recommendations relating to our limited review dated June 10, 2002. Management's responses are included in Appendix A.

Budget Process

Budget Procedures

The school board's written budget procedures are very general. In addition, the budget procedures only cover preparing and adopting the budget. The procedures do not provide for monitoring and amending the budget after adoption.

We suggest that the school board's procedures be expanded 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. Also, we suggest that the school board consider using the Association of School Business Officials International Multistep Budget Award Program created and the Government Finance Officers Association Distinguished Budget Presentation Awards Program created in preparing future budgets and developing budget procedures.

Performance Measures

Performance measures are not incorporated into the budgeting process. Meaningful performance measurements assist management of the school board by (a) identifying financial and program results; (b) evaluating and resource decisions; (c) facilitating qualitative improvements in future decisions regarding resource allocation; and (d) communicating service and program results to the taxpayer public. The school board should consider incorporating performance measures into the budgeting process. Performance measures should be used to report on the outputs of each program and should be related to the objectives of each department.

Reporting to Board

On a quarterly basis, the school board is provided financial statements and budget comparisons for all funds budgeted by the school board. On a monthly basis, the board is provided with the General Fund financial statements and related budget comparisons.

We suggest that the school board be provided with the financial statements and budget comparisons for all funds each month (see Computerized Accounting System, No. 2). In addition, a concise summary and guide to the key issues and aspects of the operating and capital components of the financial statements and budget comparisons should be provided to the board. A written policy should be adopted that provides the nature, extent, and frequency of financial reporting information that should be provided to the board.

Budget Message

The budget message accompanying the budget needs to be improved. Louisiana Revised Statute (R.S.) 38:1305(1) requires a budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies and objectives, assumptions, budgetary basis, and a discussion of the most important features. The 2001/2002 budget message did not include all these elements.

BOSSIER PARISH SCHOOL BOARD

Bossier, Louisiana

Recommendations (Continued)

In addition, we suggest that an annual financial status of the school board be included in the budget package that includes the current financial status, the short-term outlook, and long-term trends. The emphasis of this analysis should be on understandability of the financial status and issues, not necessarily on exact numbers and detail. We suggest that this analysis be provided in written form, early in the budget process, so a broad financial framework is available to management of the school board.

Approval Process

In July 2001, the school board approved salary increases for school board employees. The school board was provided with an analysis of the cost of proposed salary increases. However, it was not provided with an analysis of where the funding would come from or whether future funding would be adequate.

In the future, the school board should ensure that all salary increases clearly identify the funding source and the availability of future supporting revenues before salary increases are proposed to the salary committee and the board for approval.

Disbursements**Written Procedures**

There are no detailed, written procedures for processing disbursements. Written procedures are necessary for a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meet management's expectations. Written procedures aid in continuity of operation and for cross-training of staff.

Controls Over Disbursements

1. The accounting system allows purchase orders to be created and invoices to be paid when an account is over budget. (See Computerized Accounting System.)
2. Paid invoices are not always canceled or marked "Paid" to prevent duplicate payment.
3. Controls over the check-signing machine are inadequate. The same person that prepares the checks has sole access to the check-signing machine. Two people should be present when checks are signed, each having a key to turn before the machine can be used. The number of checks signed (meter reading) should be reconciled to the number of checks listed on the *Expenditure Transaction Journal*. The reconciliation should be signed and dated by both individuals.
4. The accounts payable clerk gives the signed checks and vendor statements to the finance department's secretary to mail to the vendors without the Director of Finance's review. The signed checks, approved invoices, purchase orders, and receiving reports, along with the *Expenditure Transaction Journal* and signature machine reconciliation, should be given to the Director of Finance for his review. He should ensure that all payments are appropriate, supporting documentation is available, invoices are approved, and number of checks written agree to those signed by the check-signing machine. The Director of Finance should then give the signed checks to his secretary for her to mail.
5. The invoices and related documents (purchase orders, invoices, purchase orders, and receiving reports) are filed in boxes by check number and are stored in a hallway adjacent to the back exit to the building. These documents should be stored in a more secure environment, with access limited to only designated employees.

Payroll and Attendance Records**Written Procedures**

There are no detailed, written procedures for processing payroll. Written procedures are necessary for a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed

BOSSIER PARISH SCHOOL BOARD

Metairie, Louisiana

Recommendations (Continued)

need management's expertise. Also, for continuity of operation and for cross-training of staff, detailed written procedures are extremely important.

Time and Leave Records

Although employee absence forms are prepared by the employee's supervisor, all administrative staff and other 12-month employees do not complete time reports documenting hours worked and leave taken each pay period. 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 supervisor should approve the time reports. Our review of selected sign-in sheets for two schools revealed the following:

- There are no written procedures relating to attendance records for individual schools and the school board main office.
- There was no evidence/documentation that school principals reviewed the sign-in sheets (daily) to determine whether all teachers/staff were properly accounted for as present, absent, or other (e.g., in-service training, workshops, etc.). There were several instances where a teacher did not sign in with an explanation noted on the sign-in sheet for the teacher's absence. For many of these specific instances, the payroll department (main office) absentee records did not reflect the employee as absent.
- The school principals submit a Substitute Payroll Sheet form monthly to the human resources department that lists all teachers that are absent. However, the school sign-in sheets are not submitted to the human resources department to compare to the Substitute Payroll Sheet.

The school board should develop written procedures for attendance records for individual schools and the school board office to follow. As a minimum, the procedures should include (1) using a standardized daily attendance log; (2) requiring the principal to account for all employees daily and document this process on the daily log; and (3) requiring the human resources department to compare the daily attendance logs to the absentee records.

All absentee forms do not evidence approval and these forms are not standardized (different absentee forms are being used, depending on the department). We suggest that absentee forms be standardized to include a space for approval of the appropriate supervisor. These forms should be attached to the time reports that are processed by the payroll department.

Annual leave records are maintained on spreadsheets by four individuals. Each individual is responsible for tracking annual leave taken and earned for specific employees. The spreadsheets are e-mailed to the Director of Human Resources who combines the four spreadsheets. We suggest that annual leave be processed through the payroll function and tracked the same way sick leave is being accounted for. As mentioned previously, employees should complete simple time reports to document hours worked and leave taken (annual and sick leave). These time reports should be processed through the payroll department.

Controls Over Payroll

No report is available that shows all changes made in payroll for a specific period of time. Someone independent of the payroll and human resources departments should be reviewing all changes made in payroll at least on a monthly basis. (See Computerized Accounting System.)

Dedicated Taxes

Clear Accounting of Ad Valorem Taxes

School board records do not identify account for the special ad valorem taxes dedicated for salaries and related benefits as required by Louisiana law. R.S. 38:704 states, "The proceeds of any special tax shall constitute a trust fund to be used exclusively for the objects and purposes for which the tax was levied. The records of the taxing authority shall clearly reflect the objects and purposes for which the proceeds of the tax are used."

BOSSIER PARISH SCHOOL BOARD

Benton, Louisiana

Recommendations (Continued)

The school board has two ad valorem tax millages (8.81 and 26.50) for the purpose of funding salaries and related benefits. For the fiscal year ending June 30, 2001, revenues totaling \$18,001,474 were reported. The school board does not maintain a clear accounting of how the proceeds are being expended.

School Food Services**Written Procedures**

There are no detailed, written procedures for the accounting and processing of receipts and disbursements for the school food services department. Written procedures are necessary to have a clear understanding of what should be done, how, who, and when it should be done, and that the procedures followed meet management's expectations. Written procedures aid in continuity of operation and in cross-training of staff.

Controls Over Disbursements

1. All invoices are not approved before payment is made.
2. Controls over the check-signing machine are inadequate. The same person that prepares the checks has sole access to the check-signing machine. Two people should be present when checks are signed, each having a key to turn before the machine can be used. The number of checks signed (meter reading) should be reconciled to the number of checks listed on the fiscal spreadsheet. The reconciliation should be signed and dated by both individuals.
3. The school food services bookkeeper mails the signed checks and vendor statements to the vendor without the Food Services Director's review. The signed checks, invoices, purchase orders, and receiving reports, along with the spreadsheet and signature machine reconciliations, should be given to the Food Services Director. She should assure that all payments are appropriate, supporting documentation is available, invoices are approved, and number of checks written agree to those signed by the check-signing machine. She should then give the signed checks to her secretary to mail.
4. The invoices and related documents (checked checks, invoices, purchase orders, and receiving reports) are filed in boxes by check number and are stored in an unlocked storage room that all employees have access to. These documents should be stored in a more secure environment, with access limited to only designated employees.
5. The same employee performs a variety of duties relating to cash disbursements that are incompatible for a proper system of checks and balances. The bookkeeper prepares the checks, records and summarizes the disbursements, and reconciles the bank statement. We suggest that these duties be separated.

Accounting System

The school food services department is not online with the school board's accounting system. The school food services' bookkeeper prepares spreadsheets that summarize the cash receipt and disbursement transactions and then provides a summary to the central office for entry into the school board's accounting system. The accounting for the school food services department should be integrated with the school board's accounting system. (See Computerized Accounting System.)

Efficiency Issue

For efficiency purposes, we suggest that the accounting for the food services department be centralized with the school board's main office, which would provide segregation of duties and direct oversight by the finance division of the school board.

BOSSIER PARISH SCHOOL BOARD

Denon, Louisiana

Recommendations (Continued)**Travel Policy****Adequate Travel Policy**

The school board does not have an adequate travel policy. The school board's one page "Expense Reimbursement" policy is not adequate to meet the needs of its approximately 2,000 employees and board members. The present policy is very general. For example, it does not include reimbursement rates for lodging or meals and does not provide specific guidance as to what is allowable relating to travel for school board business, conferences, and seminar travel. The school board should adopt a more detailed travel policy using the State of Louisiana travel policies as a guide.

Computerized Accounting System**Problems/Deficiencies**

Based on the following type and number of problems/issues with the current system, we suggest that the school board initiate and explore options for obtaining an accounting system that will meet the school board's needs.

1. A user manual is not available to support the computerized accounting system.
2. Preparing monthly financial statements with budget comparisons takes an excessive amount of time and effort by the accounting department because of the system limitations.
3. Financial reports generated by the system are difficult to read and understand, and many times must be reformatted manually.
4. The accounting system allows purchase orders to be created and invoices to be paid when an account is over budget.
5. Purchasing data cannot be transferred to accounts payable.
6. Requisitions for purchase orders must be completed manually.
7. The payroll system does not directly interface with the general ledger system.
8. No report is available that shows all changes made to payroll for a specific period of time.
9. The current payroll period must be completed/closed-out before work can begin on the next payroll period.
10. The school board services department is not online with the school board's accounting system.
11. A programmer has to generate many of the reports.
12. Receipts must be manually entered into the system.

Computer Controls**Written Policies and Procedures**

Management should establish written policies and procedures governing information systems, including monitoring procedures to ensure that the policies and procedures are being followed. Examples of policies are:

- Who gets internet access
- What items can and cannot be downloaded from the internet
- Who can update internal files on a server
- What is critical data and non-critical data (e.g., critical data include access to payroll files to add employees or change pay rates; access to electronic fund transfer numbers, selling vendor lists)

Back-up Contingency and Recovery Plan

Although the school board has an agreement with the Bossier Parish Assessor to provide maintenance access in the event of an emergency, there is no written back-up contingency and recovery plan in the event of a disaster. In addition, the school board has not tested the disaster recovery process. Without a tested plan, there is a high risk that the school board may not be able to continue operations in the event of a disaster.

BOSSIER PARISH SCHOOL BOARD

Baton Rouge, Louisiana

Recommendations (Continued)

Also, although the school board is backing up files daily and storing those files offsite, there are no written procedures for this process.

Critical Data

Changes made to critical data are not being logged to document the person making the change, when the change was done, and what was changed. Without a log of changes to critical data and supervisory review of the propriety of changes, fraud or errors could go undetected or uncorrected.

Internal Audit**Audit Committee Policy Statement**

There should be a policy statement from the audit committee that details the oversight responsibilities and expectations that the audit committee has relating to the internal auditing department. A policy statement would provide the basis for the internal auditing department's audit charter and for evaluating the activities of the department.

Audit Charter

There should be an audit charter that includes the specific functions and responsibilities of the internal auditing department. The audit charter should, among other things:

- Clearly describe when the internal auditor reports to functionally and administratively and describe the process in sufficient detail so all parties will know exactly what is expected. To provide for the independence of the internal auditing department, the internal auditor should report administratively to the superintendent and have direct communication with the audit committee.
- Provide that the audit committee meet occur with the appointment or removal of the internal auditor (independence is enhanced when this is in place). The audit committee policy statement should include this provision.
- Include specific performance measures for the internal auditing department that will be reported at least annually to the superintendent and the audit committee. The audit committee policy statement should include that they will evaluate the performance measures of the internal auditing department annually.
- Provide that the internal auditor submit a periodic activity report to the audit committee. The activity report should include significant audit findings and recommendations, any substantial changes from the approved audit plan, and other information of interest to the audit committee.
- Provide that the internal auditor schedule the nature, timing, and extent of follow-up procedures as part of developing the audit department's audit plan.
- Describe the specific support to be provided to the independent past auditors.
- Require that the internal auditor attend all audit committee meetings. In addition, some meetings should be scheduled without management present. The absence of management provides the audit manager the opportunity to discuss audit matters in a forum unaffected by pressure from management.
- Include a provision that the audit charter be reviewed by the internal auditor on an annual basis for any significant changes in school board policies and current audit practices.

Scope of Internal Auditor's Work

The scope of the internal auditor's audit work should be expanded to include, in addition to school activity accounts, all operations of the school board where there is a risk of financial exposure, potential for loss, and when there are major changes in operations, programs, systems, and controls. For example, food service, warehousing, purchasing, transportation, payroll, capital assets, and Web site security and privacy are other school board operations where there may be a risk of financial exposure or potential for loss.

BOSSIER PARISH SCHOOL BOARD

Denon, Louisiana

Recommendations (Con/Adv/)**Audit Plan**

After the internal auditor identifies auditable activities, he should identify the relevant risk factors and rank the relative significance for each auditable activity. After all auditable activities are listed and prioritized, the internal auditor should prepare the audit plan. The annual audit plan should include (a) the activities to be audited; (b) when they will be audited; and (c) the estimated time required.

Computer-Assisted Audit Techniques

The internal auditor should use computer-assisted audit techniques (CAATs) and continuous auditing (automated testing that is embedded in the routine school board system processing) as part of his overall audit responsibilities.

Quality Assurance Review

A quality assurance review of the internal audit department should be conducted at least once every five years by a qualified reviewer or review team independent of the school board.

Appendix A
Management's Responses



BOSSIER PARISH SCHOOL BOARD

P.O. Box 2000
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Kenneth N. Knauth
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July 3, 2002

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Dr. Daniel G. Kyle, PH.D., CPA, CFE
Legislative Auditor
State of Louisiana
P.O. Box 94300
Baton Rouge, Louisiana 70804-9300

Dear Dr. Kyle:

Enclosed are our responses relating to the limited review performed by your office as requested in your letter dated June 20, 2002.

Sincerely,

Kenneth N. Knauth
Kenneth N. Knauth
Superintendent

The following are responses relating to the linked review dated June 15, 2002.

Budget Process

Budget Procedures

Current budget procedures will be expanded to include details of monitoring and revising the budget after adoption. Also, a written timeline for each phase of the budget process and a list of persons responsible for each step of the budget process will be included in the budget procedures. The Association of School Business Officials and Government Finance Officers Association budget award checklist will be used in the budgeting process.

Performance Measures

Although performance measures have been used in evaluation of the budget, written performance measures will be incorporated into the budget process. These measures will be used in the evaluation of financial and program results and the evaluation of past resource allocations. These evaluations will be used to allocate future resources and to communicate service and program results to the public.

Reporting to Board

In addition to the normal monthly financial reporting of the General Fund and related budget comparisons, monthly reporting will also include special revenues, capital and fiduciary funds. Included in this monthly report will be a summary and report of key issues. The budget policy of the School Board will be expanded to include these reporting requirements.

Budget Message

In addition to normal requirements, the budget message will be expanded to include the present and immediate future financial status, as well as long-term trends. The emphasis of the budget message will be the understanding of the financial status and issues.

Approval Process

In addition to revenue analysis, all salary increases proposals presented to the School Board will identify current and future availability of funds as well as the funding source.

Disbursements

Written Procedures

Written detailed procedures will be developed for the processing of disbursements.

Control Over Disbursements

1. We will work with data processing to make sure the computerized accounting system will not allow purchase orders to be created or invoices paid when an account is over budget.
2. Currently all invoices include the check number written in red when paid. In addition we will stamp paid on the invoices.
3. In July a new system of printing checks will be put into place. This system will print the check, sign the check, fill the check and seal the check all in the same process. The accounts payable clerk will not have access to the blank checks or the check printer.
4. Currently the Director of Finance reviews all invoices before payment is made. Finished checks, approved invoices, purchase orders, receiving reports and the expenditure transaction journal will be able to be reviewed.
5. We will store canceled checks and documentation in a more secure location.

Payroll and Attendance Records

Written Procedures

Written detailed procedures will be developed for processing payroll.

Time and Leave Records

1. Absence forms are currently prepared and all administrative personnel currently prepare monthly leave reports. 12-month employees and administrative staff will complete time reports to document hours worked and leave taken. The appropriate supervisor will approve these reports.
2. Written procedures for attendance records will be developed for schools and centers. These procedures will include using a standardized daily attendance log, daily accounting for all employees by the principal / center director with documentation on the daily log, and requiring the human resource department to compare the daily logs to the absence reports.
3. Absence forms are standardized and are approved by the appropriate supervisor. These reports will be attached to the time reports processed by payroll.
4. Annual and sick leave will be processed from the time reports mentioned above. The payroll department will process these reports.

Control Over Payroll

We now have a report that shows all changes made to payroll for a specific period of time. The Chief Accountant will review the report monthly.

Dedicated Taxes

Clear Accounting of Ad Valorem Taxes

The total amount of salaries and benefits paid for excess revenues generated through ad valorem and the Minimum Foundation Program. In the future, the exact percentage of salaries and benefits that the ad valorem taxes pay will be transferred to the payroll account.

School Food Service

Written Procedures

Written detailed procedures will be developed for the accounting and processing of receipts and disbursements for the food service department.

Control Over Disbursements

After meeting with our data processing department, we can pay all disbursements through the main computer system. The food service supervisor will approve all invoices and the invoices will be processed through the central system. Canceled checks will be stored with all other accounts payable information, which was addressed above. This system will separate incompatible duties.

Accounting System

As mentioned above, accounting for food service will be integrated with the central system.

Efficiency Issue

As mentioned above, accounting for food service will be integrated with the central system.

Travel Policy

Adequate Travel Policy

A more detailed travel policy will be developed.

Computerized Accounting System

Problems/Deficiencies

1. Account User manuals do exist. A comprehensive manual dated 9/93 is available along with a revision dated 12/98. Distribution to the accounting department may or maynot have occurred.
2. The time and effort required by the accounting department can be improved upon by initiating a needs assessment and maintaining an ongoing communication between the data processing staff and the accounting staff. Regular training of users on the current accounting system would insure that updates to the software are effectively implemented and that the current features of the software package are fully utilized.
3. The current software package is an "open source" package, which undergoes periodic changes. This software also allows our programming staff to either modify existing software or create new software programs. Any difficulties found in reporting programs can be addressed if communicated to the data processing staff.
4. The account system can be modified to prevent the creation of purchase orders or the payment of invoices when an account is over budget. This feature can also include the ability to override with the approval of the appropriate finance department administrator when a legitimate need exists.
5. Purchasing data can be referenced by accounts payable when verifying the details of a transaction. An error report is generated when discrepancies occur when processing vendor invoices.
6. There is an online requisition system that is not widely used. Planned upgrades to the system will hopefully address any deficiencies and the system will gain widespread use.
7. Improvements will be made to post payroll to the general ledger after the payroll is completed.
8. We now have a report that shows all changes made to payroll for a specific period of time. The Chief Accountant will review the report monthly.
9. The practice of completing and closing out a payroll before work begins on a new payroll impacts the accuracy of the data for the current payroll. The ability to make changes online for future pay periods can be investigated based on the need and the appropriateness of such a practice.
10. Efforts to bring school food services department online will be implemented.
11. All Finance Department users have the ability to "generate" reports. Our system has a report launching program that is available to users of the system. If "generate" means that programming is involved to modify report output, this may be true. Many programs either currently have or can be written to have a flexible output depending upon prompts for answers. Once again, a desire to continually assess and meet the needs of the accounting department should be maintained.
12. Some type of data entry will be necessary to enter receipts into the system.

Searching for a new accounting system is premature considering our above responses. We acknowledge that we are several software releases behind, and many improvements will come with the latest release. Training of the accounting department also needs to occur. This training can consist of visits to/by Lafourche parish staff (our software vendor), and wider distribution of the accounting user manual. Phone support to Lafourche is also available and has not historically been used. The Lafourche parish software is an integrated package with links between schools and the central office. Considering the department of education's data integration plan (LEADS), it would be unwise for us to lose this function of our current system.

Computer Controls

Written Policies and Procedures

Harrison Parish School Board Policy includes an Acceptable Use Policy for students and employees. The policy includes the appropriate use of the Internet and guidelines for downloading from the Internet. Access to data on the mainframe computer is determined by job description and levels of security are turned on and/or off depending on the nature of that job. The critical data mentioned above can only be accessed by those employees whose job description indicates the need for access to any information.

Back-up, Contingency and Recovery Plan

The agreement on file is with the Cade Tax Assessor's office. We are currently in the process of formalizing a disaster agreement with Lafourche Parish and possibly one other site that is also being served by their software. Parishes in the Lafourche consortium have already had real disasters. Lt. Harrison Andrew, and ran critical applications using the system of other Lafourche clients. We consider the successful outcome of running more than just a test. In addition, we have a written draft of a disaster recovery plan that covers minor disruptions to major disasters. Also, our back-up procedures have been documented and are on file with the operation's manager.

Critical Data

As stated above, with the new release of the personnel/payroll system, an audit trail will be generated on changes to critical data. The new release is scheduled to be implemented by the start of school 2003.

Internal Audit

Audit Committee Policy Statement

The internal audit policy will be expanded to include a statement detailing the oversight responsibilities and expectations of the internal audit department.

Audit Charter

An audit charter will be developed to include the following specific functions and responsibilities of the internal auditing department:

- Describe where the internal auditor reports to functionally and administratively including details of all expectations.
- Provide that the audit committee must consent with the appointment or removal of the internal auditor.
- Include specific performance measures for the internal auditing department, which will be reported at least annually to the superintendent and the audit committee. The audit committee will evaluate the performance measures of the internal auditing department annually.
- Provide that the internal auditor submit periodic activity reports to the audit committee. The report will include audit findings and recommendations, any substantial changes from the approved audit plan and other information of interest to the audit committee.
- Provide that the internal auditor schedule the nature, timing and extent of follow-up procedures as part of developing the audit department's audit plan.
- Describe the specific support to be provided to the independent auditors.
- Require the internal auditor attend all audit committee meetings.
- Require the audit committee to review the activities of the audit department on an annual basis to assess the independence and objectivity of internal auditing.
- Include a provision that the audit charter be reviewed by the internal auditor on an annual basis for any significant changes in School Board policies and current audit practices.

Scope of Internal Auditor's Work

Although the scope of the internal auditor does mainly focus on the school activity accounts, the audit committee has assigned audits of other departments. The audit committee will continue to review the scope of the internal auditor work.

Audit Plan

The internal auditor will develop an audit plan that will include the activities to be audited, when they will be audited and the estimated time required.

Computer Assisted Audit Techniques

The internal auditor will research computer assisted audit techniques and continuous auditing and incorporate where possible.

Quality Assurance Review

A quality assurance review will be referred to the audit committee.