

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana School for the Visually Impaired
Board of Elementary and
Secondary Education
Department of Education
State of Louisiana
Baton Rouge, Louisiana

July 30, 2003



Financial and Compliance Audit Division

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. "Tom" Schedler, Chairman
Representative Edwin R. Murray, Vice Chairman

Senator Robert J. Barham
Senator Lynn B. Dean
Senator Jon D. Johnson
Senator Willie L. Mount
Representative Rick Farrar
Representative Victor T. Stelly
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

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. Eight copies of this public document were produced at an approximate cost of \$26.08. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at www.la.state.la.us.

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.

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

Procedural Report
Dated July 11, 2003

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.

July 30, 2003



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

July 11, 2003

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Louisiana School for the Visually Impaired. Our procedures included (1) a review of the school's internal controls; (2) tests of financial transactions for the years ending June 30, 2003, and June 30, 2002; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 2003, and June 30, 2002. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

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

The Annual Fiscal Reports of the Louisiana School for the Visually Impaired were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The school's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

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

**Purchases and Related Disbursements
Not Effectively Controlled**

The Louisiana School for the Visually Impaired does not have adequate internal control over purchasing procedures. Effective internal control requires that (1) access to data files be limited to a business-need-only basis; (2) system access capabilities are effectively monitored; (3) purchases and the related disbursements are approved properly and supported with proper documentation; and (4) duties are adequately segregated so that no one person is in a position to both initiate and conceal errors or fraud. The Office of Statewide Reporting and Accounting Policy (OSRAP) requires that agencies initiate all purchases of commodities and all purchases with a contract in the Advanced Government Purchasing System (AGPS). The Executive Order on Small Purchases (MJF 98-20) states that, except as otherwise provided, price quotations

LEGISLATIVE AUDITOR

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Procedural Report, Dated July 11, 2003

Page 2

should be obtained for purchases in excess of \$500, but below \$10,000. In addition, agency files should document all solicited bidders, summarize bid responses, indicate the awarded bid, state the reasons why any low bid was rejected, and contain written confirmation of the bid from the successful bidder. The Louisiana Procurement Code (Louisiana Revised Statute 39:1551, et al) requires that price quotations be obtained for purchases; that no purchase or procurement shall be artificially divided to avoid the competitive bidding process; that proper documentation of emergency purchases be maintained; and that contracts be obtained for services.

Our review of purchases and related disbursements disclosed the following:

1. Our review of the Advantage Financial System (AFS) and AGPS security revealed the following:
 - All AGPS users have been assigned access capabilities that allow them to perform the incompatible functions of entering new vendors, entering purchase transactions, receiving purchases, and approving payments. The school has not set up electronic approvals in AGPS that would prevent employees from approving transactions that they have entered. In addition, adequate manual compensating controls have not been placed in operation.
 - AFS users are sharing user IDs to circumvent system controls that prevent the same person from approving transactions that they have initiated.
 - The superintendent has access to AFS but has no legitimate business need for the access.
 - The security administrator is not reviewing security reports to ensure that only authorized users have access to the systems. This occurred because the security administrator does not have security access privileges and has not been adequately trained in system security administration.
2. Our review of 320 purchases and related disbursements disclosed the following:
 - Twenty-four disbursements (8%) had no indication of authorization for payment and approval of supporting documents.

LEGISLATIVE AUDITOR

LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA

Procedural Report, Dated July 11, 2003

Page 3

- One hundred ninety-six disbursements (61%) were paid without a proper purchase requisition, purchase order, or receiving report to indicate that the purchase was authorized and/or the goods or service were actually received or satisfactorily performed.
 - Two hundred fifty-nine disbursements (81%) had documents that were not canceled or marked as "paid" to prevent duplicate payments.
 - Two hundred fifty-two transactions (79%) were entered and approved for payment in AFS or AGPS by the same employee. Entering purchases and approving related disbursements are incompatible duties.
 - Three hundred seven transactions (96%) were initiated in AFS instead of AGPS as required by OSRAP's policy.
3. Seven vendors who provided services including plumbing, electrical, heating and air-conditioning repairs, carpet cleaning, and general repairs and maintenance were paid a combined total of \$384,319 from July 1, 2001, to January 31, 2003. Our review of 304 transactions with these vendors totaling \$174,889 disclosed the following:
- Two hundred fifty-five purchases (83%) totaling \$105,133 may have been artificially divided below or at \$500 to avoid the competitive bidding process, which is prohibited by Louisiana Revised Statute (R.S.) 39:1596 and Executive Order No. MJF 98-20. Many of the invoices submitted were for work performed on the same day but were divided between the work performed on different areas of the school or phases of the project. In addition, some invoices submitted were consecutively numbered although the work performed was on days occurring months apart. For one of the vendors, the dollar amounts on the invoices appear to have been written in by the school's maintenance supervisor.
 - Seventeen purchases (5%) totaling \$58,781 were for services billed in excess of \$500, but appropriate price quotations or documentation for an emergency purchase were not present as required by Executive Order No. MJF 98-20 and R.S. 39:1598, respectively.
 - The school did not obtain contracts for the services provided by the seven vendors as required by R.S. 39:1551, et al. These vendors conduct business with the school on a regular basis and the total expected payments during the fiscal year to each vendor warranted a contract. For

LEGISLATIVE AUDITOR

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Procedural Report, Dated July 11, 2003

Page 4

the fiscal year ended June 30, 2002, total payments to these seven vendors ranged from \$7,380 to \$69,696. For the seven months ended January 31, 2003, total payments to these seven vendors ranged from \$3,095 to \$43,780.

These conditions occurred because management did not establish and/or follow internal control procedures over its purchasing function. As a result, errors and/or fraud could occur and not be detected and corrected in a timely manner by employees during the regular performance of their duties.

The Louisiana School for the Visually Impaired should establish and follow internal control procedures to ensure that (1) access to AFS and AGPS is limited to a business-need-only basis; (2) the security administrator monitor access capabilities assigned to users of those systems; (3) purchases and the related disbursements are approved properly and supported with proper documentation; (4) employees' duties are properly segregated; and (5) purchases are made in accordance with applicable laws and regulations. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-6).

**Control Weaknesses Relating to
Payroll and Personnel Transactions**

The Louisiana School for the Visually Impaired does not have sufficient internal control to ensure that payroll and personnel transactions are valid, authorized, and entered correctly in the Integrated Statewide Information System (ISIS/HR), and to effectively monitor access assigned to agency users of ISIS/HR. Good internal control requires that (1) duties are adequately segregated; (2) system access should be monitored; (3) payroll subsidiary records should be reconciled to the general ledger; (4) system employment status is changed timely; and (5) policies and procedures are sufficiently documented. For fiscal year ended June 30, 2002, payroll and related benefit expenses totaled \$3,814,274 or 71% of total expenses for the school. For the period July 1, 2002, through December 31, 2002, payroll and related benefit expenses totaled \$1,745,300 or 70% of total expenses for the school.

LEGISLATIVE AUDITOR

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Procedural Report, Dated July 11, 2003

Page 5

Our review of the payroll and personnel procedures disclosed the following deficiencies:

- The Human Resources director and the timekeeper have the incompatible duties of establishing new employee master records, inputting updates to existing employee master records, processing employee separations, and entering new positions, time and attendance data, and payroll adjustments into ISIS/HR. In addition, post-input monitoring is not performed by an employee independent of the input process. Post-input monitoring must be performed when system access privileges enable employees to perform incompatible functions.
- The security administrator is not reviewing ISIS/HR security reports to monitor assigned system access.
- The school is not performing a reconciliation of payroll expenditures between ISIS/HR and the general ledger system, AFS.
- Fourteen of the 126 (11%) school's employees designated as active in ISIS/HR are not current employees and have not received a paycheck for six weeks to 15 months. These employees were student workers, substitute teachers, and temporary workers who had not formally resigned but had communicated to their Division director that they were no longer available for service. This information was not communicated to the Human Resources director so that ISIS/HR employment status could be changed to inactive.
- The school does not have written in-house procedures for processing personnel and payroll transactions.
- Thirty-seven of the 126 (29%) school's employees listed as active in ISIS/HR have inconsistent master record data that have not been investigated to determine if the data are incorrect. The school is not running required reports to detect master record errors. Therefore, the school is not in compliance with Civil Service General Circular 1460, which requested agencies to correct employee master record data no later than December 21, 2001.

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Procedural Report, Dated July 11, 2003

Page 6

Management has not placed sufficient emphasis on developing and implementing the controls necessary over its payroll and personnel functions. As a result, errors and/or fraud could occur and not be detected in a timely manner.

Management should establish internal controls to ensure that (1) duties are adequately segregated; (2) system access is monitored by the security administrator; (3) the payroll expenditures per ISIS/HR are reconciled to the general ledger system; (4) system employment status is changed timely; (5) written policies and procedures over payroll and personnel transactions are developed and implemented; and (6) management investigates all inconsistent master record data to determine if corrections should be made. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 7-10).

Insufficient Information Technology Policies

The Louisiana School for the Visually Impaired does not have sufficient information technology (IT) policies to properly safeguard its electronic records and equipment. Good internal control requires that the school develop, implement, and document IT security policies and procedures; use confidential passwords to ensure accountability for system activities; and develop and test a written disaster recovery/business continuity plan for continued operations of critical data processing services in the event of unexpected interruptions of operations or in the event that normal data processing facilities are unavailable for an extended period of time.

A review of the school's IT policies and procedures disclosed the following:

- The school has no formal IT security policies and procedures to address the local area network environment and personal computers.
- There is no password security over business data residing on personal computers.
- The school has not formally implemented and tested a disaster recovery/business continuity plan.
- The school does not maintain backup files at an acceptable offsite location. Backup files are being held within an office on the grounds of the school. Because of the proximity, this is not an appropriate facility to store backup files.

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Procedural Report, Dated July 11, 2003

Page 7

Failure to develop, implement, and document IT security policies and procedures, including the use of password security, increases the risk that data and programs could be improperly accessed and modified and that errors and/or fraud could occur and not be detected timely. In addition, failure to develop and test a comprehensive disaster recovery/business continuity plan increases the risk that in the event of an unexpected interruption in operations, there will be an untimely or excessive delay in processing critical data and that critical data may be lost.

The school should (1) develop written IT security policies and procedures; (2) implement the use of password security over data files on the personal computers; (3) develop and test a comprehensive disaster recovery/business continuity plan that would provide for timely resumption of critical school operations following a disaster; and (4) provide for an appropriate offsite storage location of its backup files. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 11).

**Failure to Submit a Document Retention
Schedule to State Archives**

The Louisiana School for the Visually Impaired failed to submit a document retention schedule to State Archives as required by state law. R.S. 44:411(A)(1) requires the head of every agency to submit to the state archivist record retention schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been created or received by the agency.

Neither the school's superintendent nor the business manager was aware of the requirement to submit the required documentation to State Archives. Failure to submit and receive an approved retention schedule increases the risk of the untimely destruction of vital information that could be needed in the future or the school incurring excessive storage costs for documents that will never be needed.

The Louisiana School for the Visually Impaired should obtain the necessary information to prepare and submit a suitable retention schedule to State Archives as soon as possible. Once the retention schedule is approved, it should be implemented immediately. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 12-14).

LEGISLATIVE AUDITOR

**LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA**

Procedural Report, Dated July 11, 2003

Page 8

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

This report is intended solely for the information and use of the school and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA
First Assistant Legislative Auditor

COK:WDD:THC:ss

[LSV103]

Appendix A

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



LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED

1120 GOVERNMENT STREET
BATON ROUGE, LOUISIANA
(225) 342-8694
FAX (225) 342-1885

Richard N. Day, Ed. D
Superintendent

June 10, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding – Purchases and Related Disbursements Not Effectively Controlled

Dear Mr. Austin:

Please be advised that this agency does concur with the finding that we do not have adequate internal control over purchasing procedures.

Regarding the issue that all AGPS users have been assigned access capabilities that allow them to perform the incompatible functions of entering new vendors, entering purchase transactions, receiving purchases, and approving payments. While it is true that Mr. Crowder does have the capabilities to both enter and approve payments (as well as other functions), Mrs. Teagle also approves all payments entered by Mr. Crowder in the system. Mrs. Teagle does not currently electronically approve the payments. She manually approves the payment after the approval is entered into the AGPS system by Mr. Crowder.

It is my understanding that electronic approvals in AGPS are not mandatory. Before committing to such a policy, there are several issues at this agency that would have to be addressed. The primary issue is lack of personnel. Mr. Crowder only works part-time, and must function as both the Purchasing Agent and the Accounts Payable employee, since there are no other business office employees. He advises me that it would be even more time consuming to have the purchases approved electronically due to additional steps required. By default, Mrs. Teagle would be the only logical person to assume the electronic approval function, but she is not trained in the AGPS system, and would have to receive such training prior to implementing this procedure. We have requested additional help in the business office as a workload adjustment for several years, but the additional help is never approved. Without additional personnel, we fail to see how these problems can ever be completely solved. I would appreciate the advice of the Auditor's

Office on how to proceed on many of the purchasing related issues without receiving additional help.

The issue of AFS users sharing user IDs to circumvent system controls that prevent the same person from approving transactions that they have initiated is slightly misleading. This finding refers to Mrs. Teagle using both her user ID (Z651A02) and my user ID (Z651A04) to enter and approve documents. When this agency originally converted to the old FACS system, Mrs. Teagle was issued two user IDs.(Z651A02 and Z65106). The Division of Administration approved the issuance of two Z IDs due to the fact that there were not enough employees in the business office for segregation of duties in all instances. There was no accountant at that time, and even at present there is only a part-time, two days a week employee. Mrs. Teagle continues to function as the accountant, fiscal officer, and business manager. The purchasing agent, who also functions as the accounts payable entry person, is also a part-time employee. There are many days, therefore, when neither the purchasing agent nor the accountant are present. On those days when entries to the ISIS system need to be made, Mrs. Teagle must have the ability to make those entries. There are no other employees in the business office except the Human Resources Director. Examples of times that the dual entry is needed are for warrants, journal vouchers, and documents such as Ebs and Aps. The part-time accountant is not trained in these areas, and currently spends all of his time working with payroll trying to correct errors in the ISIS/HR system.

The reason Mrs. Teagle uses my user ID is the fact that her second Z ID (Z651A06) does not work. Although employees at the ISIS help desk over the years have tried to find the source of the problem, none has yet succeeded. When a document is entered under the first ID, or Z651A02, the system will not accept approval with the second ID, or Z651A06. Although the system is not supposed to recognize the fact that both Z IDs are issued to the same person, apparently it does make that recognition at some level in the system. If this problem can be fixed, and Mrs. Teagle can use her second ID when needed, there will no longer be a need for her to use my ID.

The finding continues by saying that I have access to AFS, but no legitimate business need for the access. While it is true that I personally do not access the system, until the problem with the second Z ID for Mrs. Teagle is cleared up, it will be necessary to retain the Id. Mrs. Teagle is going to contact the ISIS Help Desk again today to try and enlist some help in making the second Z ID usable. When a solution is found to this problem, we will delete my user ID.

Regarding the Security Administrator, Mrs. Teagle, not reviewing security reports to monitor assigned systems access to ensure that only authorized users have access to the systems, there are two problems that need to be solved. The first problem is that when the security function was assigned to Mrs. Teagle, it was assigned to Z651A06, the inactive user ID. Either we must revive this user ID, both to serve as the second ID in the functions as detailed above, and to perform the security administrator functions, or we must alter the profile of Z651A02 to include the security function.

Mrs. Teagle has been having great difficulty in changing user ID profiles, as can be verified by Mrs. Kirkland of your office. She has made numerous calls to the ISIS Help Desk for assistance in accomplishing her goals, and actually has all the security change forms completed pending help on what profiles to choose. The help received from the Help Desk has been almost nonexistent. They have referred her to the Security Administrator's Manual, which did not offer the information she needed. They told her to print several BUNDL reports, but without security clearance on her operating Z ID, she could not retrieve the reports. Mrs. Kirkland of the Auditor's Office helped Mrs. Teagle obtain the reports she needed, but she is still uncertain about profile selection. She is concerned that if she chooses the wrong profile for herself and others, the impact may be that the agency will not be able to conduct business as usual. We need the help of a trained security administrator to assist us in changing the ISIS and AGPS profiles as needed, but do not know where to turn. Help from the Auditor's Office would be appreciated in completing this task. Affecting the situation as well is the fact that Mrs. Teagle has never been trained as the agency Security Administrator. She will arrange to attend a training class within the next month or so (as soon as the security issue has been resolved – she cannot sign off as security administrator on documents necessary for signing up for training classes without security being part of her profile on her Z ID).

The twenty four disbursements that had no indication of authorization for payment and approval of supporting documents were a direct result of one thing – lack of sufficient personnel to process payables. As stated earlier, the part-time purchasing agent must also function as the accounts payable entry person. With the volume of work being too great to properly handle both purchasing and payables, errors happen. The same holds true for the approval process by the business manager. A workload leaving little time for payables authorization means that a cursory inspection of paperwork occurred, rather than the detailed page-by-page inspection needed to catch every mistake. The agency needs a full time accounting clerk to handle payables, which would free up the purchasing agent to address some of the important issues discussed below, and would allow for closer inspection of the payment package (requisition, packing slip, purchase order, invoice, etc.) before entry and approval of payments. The business manager would continue to approve payments, but errors should be greatly reduced if package was adequately pre-checked prior to entry into the AGPS or AFS systems.

The one hundred ninety six disbursements that were paid without a proper purchase requisition, purchase order, or receiving report to indicate that the purchase was authorized and/or the goods or services were actually received or satisfactorily performed was due to errors primarily made by the business manager. Since the purchasing agent was only working three days per week, and many of the contractors wanted their payments as quickly as possible, Mrs. Teagle entered and approved the payments in the AFS system (she is not trained in AGPS, although she does have entry into the system). She is the person that supervises operations such as service and repair projects, so she only entered those payments for which she personally was aware that the services had been performed. These are the invoices, however, that did not have the proper documentation such as purchase orders, requisitions, and receiving reports. On each of these instances, she was aware that additional information was needed and intended to go

back and fill in the missing documentation, but the volume of her other job duties was such that the contractor's invoices merely got filed.

The reference to the two hundred fifty nine disbursements that had documents that were not canceled or marked as "paid" to prevent duplicate payments includes the one hundred ninety six disbursements mentioned in the preceding paragraph, as well as others that were simply missed. The fact that they were not marked cancelled or paid, however, would not increase the chance of duplicate payments to be made. Both the AGPS and the AFS systems will reject an attempt to pay an invoice that has already been entered into the system.

The two hundred and fifty transactions that were entered and approved for payment in AFS or AGPS by the same employee were both payments by the purchasing agent (in AGPS) and by Mrs. Teagle in AFS. The purchasing agent has been both entering and approving payments in the AGPS system, but the business manager manually approved those payments as well. Additional information on this process is discussed under the section of this finding dealing with manual and electronic approval of payments. The business manager's entry and approval of payments, primarily to contractors, in the AFS system was due to two issues – the first being that the purchasing agent was only working three days per week and was not present at times payments needed to be initiated; the second being that the AFS system rather than the AGPS system was used because the business manager is not trained in AGPS. While we are still manually approving AGPS payments (refer to section regarding electronic approval for additional information regarding this status), due to the auditor's recent advise, the business manager is no longer entering and approving payments to contractors through the AFS system. She now forwards the invoices to the purchasing agent for entry into the AGPS system. The only type of payment she is currently entering and approving in the AFS system are those for items such as the Imprest Fund reimbursements (fund is audited by accountant).

The three hundred seven transactions that were initiated in AFS instead of AGPS were those made to contractors by the business manager, who is not trained in the AGPS system. She is no longer entering those payments, but now forwards them to the purchasing agent for entry into the AGPS system.

Regarding the two hundred fifty five purchases that may have been artificially divided below or at \$500 to avoid the competitive bidding process, there are several issues involved. Doubtless, there were those purchases for services which were divided into smaller projects in order to avoid the bid process, such as separate prices for stripping and waxing of individual dormitories instead of an overall price for all dorms. In many instances, however, contractors are aware of the \$500 limit on purchases of goods and/or services, and keep their prices right under that amount whenever possible. We do not ask them to do this, but those vendors familiar with state purchasing laws will automatically price goods and/or services slightly under the limit if they possibly can. Many of the vendors did allow some time to elapse between services performed or goods delivered and invoicing for payment. They did, indeed, use consecutive invoices for these requests for payment in some cases, but I fail to see why their delay in billing us timely would

create a problem with purchasing. It does, however, create a cash management problem. Mrs. Teagle has contacted the vendors who traditionally have been late in invoicing, and asked them to submit invoices upon completion of work or delivery of services.

The finding makes note that for one of the vendors, the dollar amounts on the invoices appear to have been written by the LSVI Maintenance Supervisor. Although we have no proof that the tickets were, indeed, written by the Maintenance Supervisor, we are no longer procuring services from this vendor. This halt to procurement of services was not precipitated by suspicion of who wrote the invoices, but by prolonged and continued illness of the contractor. We have replaced the services of that company with those of a company called LIFTD, which is a sheltered workshop operating under the umbrella of Employment Development Services, the state agency responsible for coordination of work by all the sheltered workshops statewide. Services purchased through Employment Development Services are not subject to bid. Since LIFTD was already providing our agency's custodial services, the quickest way to solve the problem of dividing a project such as stripping and waxing into smaller components was to hire LIFTD to perform the service. To date, the arrangement is working well.

Most of the seventeen purchases for services billed in excess of \$500 were for emergency declarations. The auditor addressed with both the business manager and the purchasing agent the document necessary for an emergency declaration. This procedure will be followed in the future for any item falling under this category. There were a few purchases that fell under this category for which bids had been obtained, but had apparently been lost – they were not attached to the payment document. The auditor also made suggestions to the business manager for filing of bids and emergency documentation separate from the payables files. At present, when the business manager gives the purchasing agent an invoice for any item over \$500, she also presents him with the three bids. We are still filing this documentation in the payables files, but may switch to another system when time allows. Once again, lack of personnel contributed to lack of documentation on these items.

Regarding the fact that LSVI did not obtain contracts for services provided by seven vendors, please be advised that, due to the volume of use, we have begun the process. The first bid was let on May 29, 2003 for heating and air conditioning services. In the process of that bid being let, the purchasing agent worked with state purchasing for suggestions on developing specifications, and subsequently followed all state purchasing guidelines for bid procurement. It should be noted that this first service that was bid (heating and air conditioning) will now cost the agency approximately \$9,000 more per year to provide the same services. I believe it should be noted here that, although the state bid laws may not have been followed in previous instances, purchases of goods and/or services have always been with savings to our budget and to the state in mind.

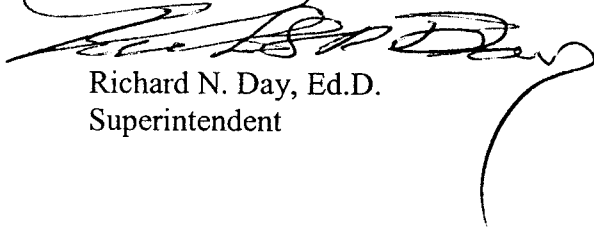
As the bid process for one service is completed, we will begin to write the specifications necessary to begin the bid process for another service. The next services scheduled for bid are plumbing services, but in preliminary discussions with State Purchasing, they feel that writing the specifications for this type of service will be very difficult. In fact, no

contract of similar nature is known to them. Ideally, the solution to most of these problems would be to hire an employee in each specialty we are currently contracting, such as heating/air conditioning, plumbing, basic carpentry. Our maintenance department does not consist of any skilled labor or trades employees. We cannot, however, obtain any additional employees through the budget process, nor can we upgrade our current positions to cover our everyday needs.

In summary, I believe that most of the errors occurring in purchasing were a direct result of insufficient staffing levels and of purchasing and accounting regulations incompatible with small agencies. Both the business manager and the purchasing agent need assistance. I am hoping that I can use the results of this audit to approach the Budget Office on an appeal for additional positions, primarily in the business office, but additional skilled maintenance positions would solve several problems as well. We also believe some deviations from current accounting, purchasing, and auditing regulations should be waived under certain conditions. Ours is one example.

Contact either Mrs. Teagle or me if you need additional information.

Respectfully,

A handwritten signature in black ink, appearing to read "Richard N. Day". The signature is written in a cursive style with a long, sweeping tail that extends downwards and to the right.

Richard N. Day, Ed.D.
Superintendent



LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED

1120 GOVERNMENT STREET
BATON ROUGE, LOUISIANA
(225) 342-8694
FAX (225) 342-1885

Richard N. Day, Ed. D
Superintendent

June 10, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding – Control Weaknesses Relating to Payroll and Personnel Transactions

Dear Mr. Austin:

Please be advised that the agency does concur with the finding that the agency does not have sufficient internal control to ensure that payroll and personnel transactions are valid, authorized, and entered correctly in ISIS/HR, and to effectively monitor access assigned to agency users of ISIS/HR.

The first deficiency states that the Human Resources Director and the Timekeeper have the incompatible duties of establishing new employee master records, inputting updates to existing employee master records, processing employee separations, and entering new positions, time and attendance date, and payroll adjustments into ISIS/HR. In addition, post-input monitoring is not performed by an employee independent of the input process.

Mrs. Teagle, LSVI's business manager, had been aware since the conversion to ISIS/HR that she had lost the ability to audit the payroll function and could not obtain data that she needed to estimate payroll expenditures for budgeting purposes. Each time she requested entry into the payroll system, however, something was wrong. After entering the personnel number and password and trying to obtain data, the system would state that she was not authorized. She attempted for Mr. Lloyd Brown, our part-time accountant, to access the system as well. Just as in her case, each time he tried to access the system he was denied.

We believe that the problem is twofold. The first problem is insufficient training received by the Human Resources Director. We are a small agency, and Mrs. Lloyd, the Human Resources Director, was the only person at this agency sent for training. When the training had to be converted to actual payroll use, many things not included in the

training occurred. We are one of only two school systems on ISIS/HR, which causes many situations not experienced by most agencies such as nine, ten, eleven, and twelve month employees, contract employees (teachers and aides), four different pay scales (teachers, aides, civil service, and BESE unclassified), and summer insurance deductions (for time when most employees at the agency are not working). Basic training did not address any of these situations. When Mrs. Lloyd tried to implement the system, she incorrectly entered data on the non-twelve-month employees, which created problems in their leave balances and insurance deductions that have continued to plague us. Mr. Brown, the agency's part-time accountant, spend all his time at the agency trying to figure out entries needed to correct errors entered in the system. Also, Mrs. Lloyd's basic understanding of the concept of how ISIS/HR works, as compared to the old UPS system, has been a problem. We have recently applied to civil service for an additional Human Resources position (Human Resources Analyst 2). The agency has one vacant, unfunded position in the Administration/Support Services program. We are asking for that position to be reallocated to the Human Resources Analyst 2. Even though the position is not currently funded, we believe additional help in the payroll department is so critical that we will cut funding in another category to fund this position.

Regarding the issue of the Human Resources Director and the Timekeeper both having total access to the ISIS/HR system, be advised that this is an agency necessity. Anytime Mrs. Lloyd is out for any reason such as illness or vacation, Mrs. Darensbourg (Timekeeper) must fill in for her. Although Mrs. Darensbourg has not yet received formal training in the system, Mrs. Lloyd has been working with her so that she can assume all payroll functions if necessary. While I realize that this dual access does carry with it some agency liability, I feel that adequate payroll coverage must be weighed against the risk.

Mrs. Teagle has assumed the post-input payroll monitoring as the payroll ending May 2, 2003. After working with Christine Kirkland of the Legislative Auditor's office, both Mrs. Teagle and Mr. Brown received the necessary entry into the ISIS/HR system. Mrs. Kirkland worked with Mrs. Teagle in both advising which reports to run each payroll, or each month, and in teaching her how to balance AFS with ISIS/HR. Mrs. Teagle has performed the AFS – ISIS/HR balancing for the past two months, and is running the necessary payroll reports for audit purposes each payroll. She then is submitting those reports to the payroll department to file for audit purposes. She also sends a memo to Mrs. Lloyd of any questions or concerns she has regarding any of the payroll reports, and sends me a copy of those memos for my review. With the audit function now in place, I feel that the opportunity of abuse of the system due to the dual access issue with the HR Director and Timekeeper is practically nil.

Mrs. Lloyd, as Security Administrator, was not reviewing ISIS/HR security reports to monitor assigned system access. Again, this failure to review the security reports was primarily due to lack of training and lack of adequate personnel in the payroll department. It has been all that Mrs. Lloyd and Mrs. Darensbourg could do to get the payroll out each two weeks. Due to time and personnel constraints, no time was left for things like security review. Mrs. Lloyd has been unable to adequately perform the

personnel side of her job duties. Practically every minute of her time has been spent on payroll. She does not yet have a working knowledge of the system sufficient to allow her to correct all errors with ease. She must still rely on numerous calls to the Help Desk for assistance. Consequently, much time is lost in this process.

The issue regarding the agency not performing a reconciliation of payroll expenditures between ISIS/HR and the general ledger system, the Advantage Financial System has been resolved. Mrs. Teagle has been performing this reconciliation for the past two months, after receiving training from Mrs. Kirkland.

Regarding the fourteen of the one hundred twenty six employees who were still shown on payroll, but are not current employees, Mrs. Teagle has directed Mrs. Lloyd by memo to delete these entries as quickly as possible. This situation was created by the division heads in both the residential services program and the instructional services program not notifying payroll when an employee should be deleted from the system. Mrs. Lloyd kept these employees active since these were part-time workers (dormitory substitutes and teacher substitutes), and she did not know whether they were just not needed during a particular payroll or if the employee had resigned or been terminated. The division heads have recently been instructed to advise Mrs. Lloyd on a timely basis of any part-time employees that need to be removed from payroll. Mrs. Teagle has advised Mrs. Lloyd by memo to put this directive to the division heads in writing, and to give each division head a copy of the current employee list each month so that they might review it and send changes to payroll.

We still do not have written in-house procedures for processing personnel and payroll transactions. The person who would write those procedures is Mrs. Lloyd. As stated above, she currently does not have time to do anything except process payroll. If we get the new position we have requested from civil service to assist in the payroll function, Mrs. Lloyd would be freed up of enough payroll duties to assume projects such as writing the payroll procedures. She also could return to her personnel duties.

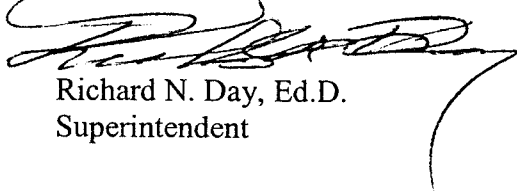
Mrs. Teagle has advised Mrs. Lloyd by memo to clear the thirty seven of the one hundred twenty six school's employees listed as active master record data errors. Mrs. Lloyd has contacted the ISIS/HR Help Desk several times for assistance in clearing these errors, but as of this date has not received the necessary assistance from them. Mrs. Teagle has requested the assistance of Mrs. Kirkland in finding someone capable of assisting Mrs. Lloyd in clearing the errors.

Small agencies like ours with limited personnel and limited training could use the assistance of consultants for compliance in issues such as ISIS/HR. At present, our only assistance comes from the ISIS/HR Help Desk, which sometimes gives conflicting information, or information not enough in detail for us to utilize. If there was a service that we could utilize to bring in a consultant to conduct one-on-one training, it would benefit us greatly.

In summary, I feel that we have made great strides in correcting our ISIS/HR deficiencies, both by Mrs. Teagle's assumption of the audit function, and by trying to obtain an additional position for the payroll department. There still remains the issue of inadequate training, but we are attempting to alleviate this problem as well. If there are suggestions from the Auditor's Office on how to accomplish this goal, we welcome suggestions.

Contact either Mrs. Teagle or me if additional information is needed.

Respectfully,

A handwritten signature in black ink, appearing to read "Richard N. Day", with a large, sweeping flourish extending downwards and to the right.

Richard N. Day, Ed.D.
Superintendent



LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED

1120 GOVERNMENT STREET
BATON ROUGE, LOUISIANA
(225) 342-8694
FAX (225) 342-1885

June 10, 2003

Richard N. Day, Ed. D
Superintendent

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Insufficient Technology Policies

Dear Mr. Austin:

Please be advised that the agency does concur with the finding that LSVI has insufficient information technology policies to properly safeguard its electronic records and equipment. The school will:

1. Develop written IT security policies and procedures.

The policies will be developed by Warren Figueiredo in LSVI's Support Services Division, submitted to the school technology committee for review at its August meeting, and approved by my office not later than September 15, 2003.

2. Implement the use of password security over data files on the personal computers.

The security plan to be developed will include provisions for identifying data files to be secured along with a procedure for password issuance and use.

3. Develop and test a comprehensive disaster recovery/business continuity plan that would provide for timely resumption of critical school operations following a disaster.

The security plan to be developed will include disaster recovery procedures.

4. Provide for an appropriate offsite storage location of its backup files.

A search for offsite storage has already begun. At the end of the search LSVI will identify either a physical location for backup data or a secure internet-based repository for data.

Please contact either Warren Figueiredo or me if additional information is needed.

Respectfully,

A handwritten signature in black ink, appearing to read "Richard N. Day", is written over the typed name and title.

Richard N. Day, Ed. D.
Superintendent

RND:wdf



LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED

1120 GOVERNMENT STREET
BATON ROUGE, LOUISIANA
(225) 342-8694
FAX (225) 342-1885

Richard N. Day, Ed. D
Superintendent

June 10, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding – Failure to Submit a Document Retention Schedule to State Archives

Dear Mr. Austin:

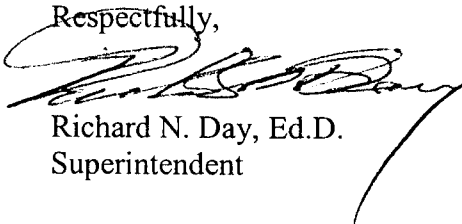
Please be advised that the agency does concur with the finding that the agency failed to submit a document retention schedule to State Archives as required by state law. Also be advised, however, that neither Mrs. Teagle, LSVI's business manager, nor myself was ever notified by State Archives or any other entity that such a law was in existence. Also note that State Archives has never contacted us regarding noncompliance with the law.

Upon being made aware of the law during our recent audit, we submitted a letter to State Archives regarding this agency's retention schedule (see copy of letter dated April 2, 2003 attached).

I believe, therefore, that we are now in compliance with this finding. I would, however, like to receive verification from State Archives of receipt of our letter (no correspondence has been received to date) in order to have documentation for our files for the next audit.

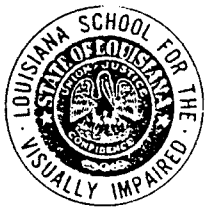
Please contact either Mrs. Teagle or me if additional information is needed.

Respectfully,



Richard N. Day, Ed.D.
Superintendent

gkt



LOUISIANA SCHOOL FOR THE VISUALLY IMPAIRED

1120 GOVERNMENT STREET
BATON ROUGE, LOUISIANA
(225) 342-8694
FAX (225) 342-1885

Richard N. Day, Ed. D
Superintendent

April 2, 2003

Florent Hardy, Jr., PhD
Administrator
Louisiana State Archives
P. O. Box 94125
Baton Rouge, LA 70804-9125

Re: Records Retention

Dear Dr. Hardy:

In compliance with La. R.S. 44:411 (2003), I am disclosing the following information regarding retention of files at this agency, and asking permission, where necessary, to dispose of outdated files.

- 1) Payroll and personnel files are maintained at the agency indefinitely.
- 2) Financial records including accounts payables files, purchasing files, general financial records and correspondence, grant files, reading files, and bank account information and statements are currently maintained at the agency for the current year plus the past ten years.

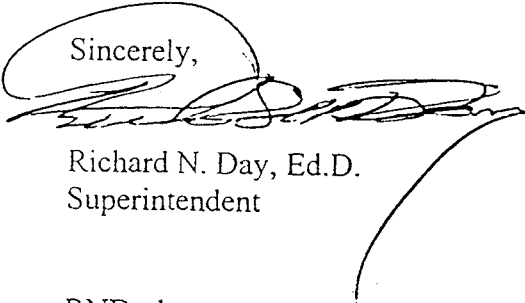
Although I realize that the agency only needs to retain the current year financial records plus an additional three prior year records, we have had ample storage room for the files and we do occasionally use the files for research. We will, however, either dispose of the outdated files or forward them to archives as directed by your office.

This letter is generated as a result of a State Legislative Audit. The statute information provided by them regarding file retention (LA statutes 44:411 and 44:36) does not disclose the entire process as required by your office. If there are time frames that need to be adhered to in this disclosure, certain forms that need to be filed, or other specific requirements, please furnish them to this agency.

To my knowledge, no letter was ever received by this agency from State Archives regarding mandatory reporting requirements. We were, therefore, unaware of these requirements until the present Legislative Audit. I would like to make certain that this agency is on the State Archives mailing list in order to comply on a timely basis with your requirements.

Please contact Mrs. Glenda Teagle, Business Manager, at 342-8690 if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard N. Day", is written over a circular scribble. The signature is fluid and cursive.

Richard N. Day, Ed.D.
Superintendent

RND:gkt