

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Special Education Center  
Board of Elementary and  
Secondary Education  
Department of Education  
State of Louisiana  
Alexandria, Louisiana

December 31, 2002



***Financial and Compliance Audit Division***

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

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**Daniel G. Kyle, Ph.D., CPA, CFE**

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**LOUISIANA SPECIAL EDUCATION CENTER  
BOARD OF ELEMENTARY AND  
SECONDARY EDUCATION  
DEPARTMENT OF EDUCATION  
STATE OF LOUISIANA**  
Alexandria, Louisiana

Procedural Report  
Dated December 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.

December 31, 2002



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

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December 13, 2003

**LOUISIANA SPECIAL EDUCATION CENTER  
BOARD OF ELEMENTARY AND  
SECONDARY EDUCATION  
DEPARTMENT OF EDUCATION  
STATE OF LOUISIANA**  
Alexandria, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Louisiana Special Education Center. Our procedures included (1) a review of the center's internal control; (2) tests of financial transactions for the years ending June 30, 2003, and June 30, 2002; (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; and (4) a review of compliance with prior audit recommendations. 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 center 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 finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Report of the Louisiana Special Education Center was not audited or reviewed by us, and, accordingly, we do not express an opinion on this report. The center's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior report on the Louisiana Special Education Center, dated March 16, 2001, we reported findings relating to noncompliance with movable property regulations and failure to fully use the Advance Government Purchasing System. Management has substantially resolved these findings.

Based on the application of the procedures referred to previously, a significant finding is included in this report for management's consideration.

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

The Louisiana Special Education Center does not have adequate policies and procedures in place to ensure that payroll transactions are properly authorized and that valid transactions have been correctly entered into the Human Resource component of

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the state's centralized accounting system, the Integrated Statewide Information System (ISIS/HR). Furthermore, the superintendent and department heads approve their own time and attendance records. Good internal control provides for clear segregation of duties and timely review of payroll and personnel transactions to ensure that data are accurate and reliable and that errors and/or fraud may be detected in a timely manner. In addition, Civil Service Rule 15.2 for classified employees requires the supervisor to certify the number of hours of attendance on the time and attendance records. For the fiscal year ended June 30, 2002, payroll and related benefit expenses totaled \$6,079,968 or 75% of total expenses for the center. For the period July 1, 2002, through September 30, 2002, payroll and related benefit expenses totaled \$1,472,702 or 81% of total expenses for the center.

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

- The director of personnel, employee administration manager, and executive secretary can create a new position and enter a new employee, make current and retroactive changes to pay rates, and input time sheet data.
- Management has not assigned the review of payroll and personnel transactions entered into the ISIS/HR system to a knowledgeable employee that is independent of the payroll and personnel functions.
- The immediate supervisors for the superintendent and department heads do not review and approve their time and attendance records.

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 timely.

The Louisiana Special Education Center should develop and implement policies and procedures that ensure an adequate segregation of duties in the payroll and personnel functions. The procedures should require a timely independent reconciliation of payroll expenses to the general ledger and an independent review of transactions processed in the ISIS/HR system. Supervisory personnel should review and approve all subordinates time and attendance records. Finally, management should periodically monitor these controls to ensure that they are operating as intended and providing the expected results. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

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

This report is intended solely for the information and use of the center 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 "Daniel G. Kyle". The signature is fluid and cursive, with a large initial "D" and "K".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

BAC:WJR:AJR:dl

[LSEC03]

## Appendix A

### Management's Corrective Action Plan and Response to the Finding and Recommendation



# LOUISIANA SPECIAL EDUCATION CENTER

Walter B. Gatlin  
Superintendent

December 6, 2002

Telephone  
318-487-5484

Daniel G. Kyle, PH.D., CPA, CFE  
Office of Legislative Auditor  
State of Louisiana  
1600 North Third Street  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

RE: Response to Audit Finding-Control Weaknesses Over Payroll & Personnel Transactions

We concur with the Legislative Auditor's finding regarding this agency's control weakness relating to payroll and personnel transactions.

Based on the Legislative Auditor's recommendations, the Director of Administrative Services, Allen Jenkins, will develop and implement policies and procedures to ensure that there are adequate segregation of duties in the payroll and personnel functions. These procedures will provide for timely and independent reconciliations of payroll expenses to that of the general ledger. The Director of Administrative Services will conduct a review, on a bi-weekly basis of all transactions processed in the Integrated Statewide Information System (ISIS/HR).

The Executive Secretary, Valarie Dotson, will revise time and attendance sheets so that no immediate supervisors will appear on the time sheets of the employees they supervise.

The supervisor's timesheet will be separate and approved by the appropriate Director.

The Directors will have a separate timesheet that will be approved by the Director of Administrative Services.

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The Superintendent's time sheets will be approved by Mr. Lester Klotz, Director of Special School District #1 with the Louisiana State Department of Education in Baton Rouge, Louisiana.

The development of these policies and procedures will begin immediately and will be fully functional by December 31, 2002.

If you have any questions, please contact Allen Jenkins at (318) 487-5484.

Sincerely,

A handwritten signature in black ink, appearing to read "W. B. Gatlin", written in a cursive style.

Walter B. Gatlin,  
Superintendent

WBG/ADJ/cwi  
Cc: Allen Jenkins