

DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MARCH 27, 2013

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 27, 2013

DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements and the Single Audit for the State of Louisiana for the fiscal year ended June 30, 2012, we conducted certain procedures at the Department of Education (DOE) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of the DOE's operations and system of internal controls, including internal controls over major federal award programs administered by DOE, through inquiry, observation, and review of its policies and procedures documentation, including a review of the related laws and regulations applicable to DOE.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using DOE's annual fiscal reports and/or system-generated reports and obtained explanations from DOE management of any significant variances. In addition, our auditors scheduled the split of expenditures between the various programs of DOE for the fiscal year ended June 30, 2012, for informational purposes.
- Our auditors reviewed the status of the finding identified in the prior audit report on DOE, dated January 12, 2012. The prior year finding relating to noncompliance with federal and state equipment management regulations has been resolved by management.
- Our auditors considered internal control over financial reporting; examined evidence supporting DOE's nonpayroll expenditures, accounts payable, and federal revenue; and tested DOE's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the following federal programs for the fiscal year ended June 30, 2012, as part of the Single Audit for the State of Louisiana:
 - Title I, Part A Cluster (CFDA 84.010, 84.389)
 - Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392)
 - Improving Teacher Quality State Grants (CFDA 84.367)
 - School Improvement Grants Cluster (CFDA 84.377, 84.388)
 - Temporary Assistance for Needy Families Cluster (CFDA 93.558, 93.714, 93.716)

The Annual Fiscal Reports of DOE were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. DOE'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, we have included all significant findings that are required to be reported by *Government Auditing Standards*. All of these findings will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2012.

The following significant finding is included in this letter for management's consideration.

**Noncompliance with Office of Management
and Budget Circular A-87 Cost Principles**

DOE did not properly allocate federal payroll expenditures to the correct federal programs in accordance with the completed employee certifications, resulting in \$49,046 in questioned costs which may have to be returned to the federal government.

In a test of payroll certifications for 60 employees, the cost distribution report for three (5%) did not agree to the federal program and percentage charged per the certifications, resulting in questioned costs totaling \$49,046. The Title I Grants to Local Educational Agencies (CFDA 84.010), Special Education - Grants to States (CFDA 84.027), and State Administrative Expenses for Child Nutrition (CFDA 10.560) programs were charged \$5,005; \$20,033; and \$24,008, respectively, for payroll expenditures that did not match the employees' actual work effort.

The exceptions noted resulted from insufficient communication of system coding changes between DOE personnel and not properly monitoring to ensure that the allocations made in the system agreed with the certifications on file. Failure to properly distribute federal

payroll expenditures results in noncompliance with the Office of Management and Budget (OMB) Circular A-87 and questioned costs which could be disallowed by the federal government.

OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments," states that where employees work on multiple cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports that account for the total activity for which an employee is actually compensated. DOE policies and procedures require supervisors to routinely monitor the employee's actual effort and human resources personnel to adjust the coding in the payroll system when an employee's cost distribution changes.

Management should ensure that payroll expenditures are accurately distributed as certified by the employee and that any coding changes are properly communicated to applicable DOE personnel. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of DOE. The nature of the recommendation, its implementation costs, and its potential impact on the operations of DOE should be considered in reaching decisions on courses of action. This finding relating to DOE's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of DOE and its management, others within the entity, the Board of Elementary and Secondary Education, and the Louisiana Legislature 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 letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KS:CRV:BQD:THC:dl

APPENDIX A

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



LOUISIANA DEPARTMENT OF EDUCATION

January 28, 2013

Mr. Daryl Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera

RE: Noncompliance with OMB Circular A-87 Cost Principles

The Louisiana Department of Education (LDE) concurs with the audit finding entitled Noncompliance with OMB Circular A-87 Cost Principles.

While procedures and controls are in place relative to payroll changes, those procedures will be strengthened to assure that all coding changes are properly communicated. Details are listed below:

- The Department will conduct refresher training regarding the LDE policy for A-87 certifications.
- During the annual budget planning process and the monthly budget review process, staff will review and confirm proper coding for employees and confirm with staff that they are following the established procedures of verifying that the payroll coding and the timesheet coding are aligned per LDE policy and procedure.
- LDE will enhance the existing payroll coding control worksheet to add a checklist to confirm that the coding changes are appropriate and have been implemented at all points of action and returned to the budget staff for retention.

These corrective actions will be completed by the end of the FY12-13 fiscal year. The contact person for this corrective action is Charlotte Stevens. She may be contacted at charlotte.stevens@la.gov or by phone at 225-342-3590.

Sincerely,

John White

State Superintendent of Education

Louisiana Believes.