

BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED MAY 27, 2015

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 27, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Mr. Chas Roemer, President
Board of Elementary and Secondary Education
Ms. Shan Davis, Executive Director,
Board of Elementary and Secondary Education

Dear Senator Alario, Representative Kleckley, Mr. Roemer, and Ms. Davis:

This report includes the results of our procedures at the Board of Elementary and Secondary Education (BESE) for the period from July 1, 2013, through May 15, 2015. Our objective was to evaluate certain controls that BESE uses to ensure compliance with applicable laws and regulations and to provide accountability over public funds. I hope this report will benefit you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of BESE for their assistance during our work.

Sincerely,

A handwritten signature in blue ink that reads "Thomas H. Cole".

Thomas H. Cole, CPA
First Assistant Legislative Auditor

KS:CRV:BQD:EFS:aa

BESE 2015

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Audit Control # 80150029

Board of Elementary and Secondary Education

May 2015

Introduction

The primary purpose of our procedures at the Board of Elementary and Secondary Education (BESE) was to evaluate certain internal controls that BESE uses to ensure compliance with applicable laws and regulations and to provide accountability over public funds.

The mission of BESE is to provide leadership and create policies for education that expand opportunities for children, empower families and communities, and advance Louisiana in an increasingly competitive global market. BESE has the responsibility of governing all public schools including elementary schools; secondary schools; special schools for the deaf, blind, and physically-handicapped; and educational units in the state's correctional institutions and mental facilities.

Results of Our Procedures

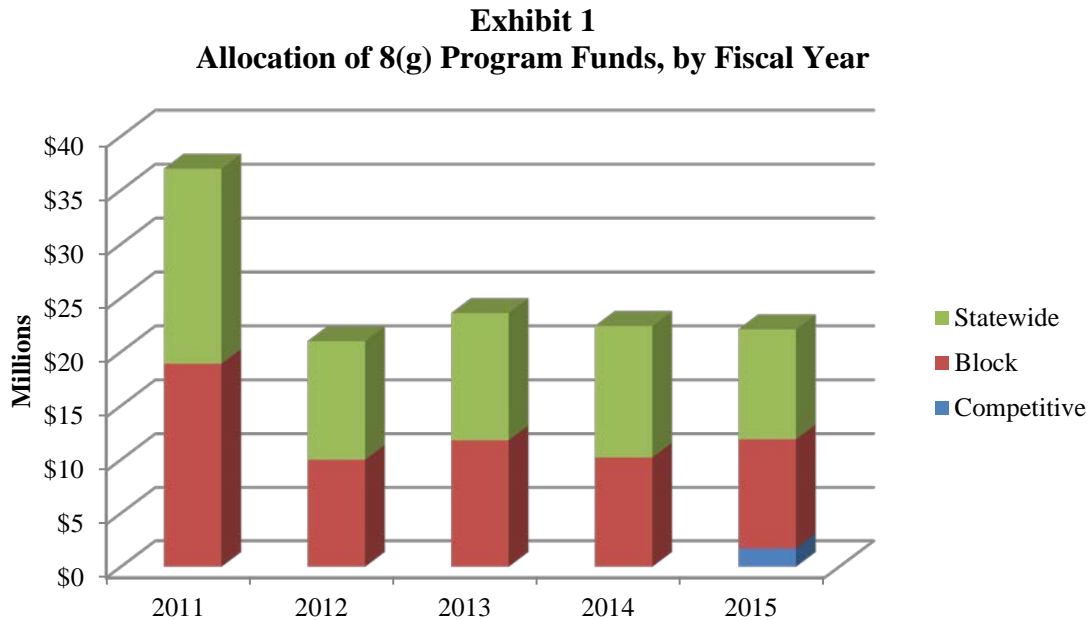
We evaluated BESE's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to BESE. Based on the documentation of BESE's controls, our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls over Louisiana Education Quality Trust Fund [8(g) program] monitoring, adoption of rules, and charter school contract extensions and renewals.

8(g) Program Monitoring

Investment income generated by the 8(g) program is dedicated to providing educational enrichment programs. BESE receives approximately 50% of the available revenue earned by the fund through an annual appropriation.

Each year BESE approves the allocation of 8(g) program funds for block, statewide, and competitive grants, and for management and oversight. Student enhancement block grants are awarded to public and nonpublic systems, public independent schools, and nonpublic independent schools for projects designed to improve student academic or vocational-technical skills. The statewide programs are administered by state agencies, primarily the Department of Education (DOE), to provide goods, services, or flow-through to schools or school systems.

Competitive grants can be awarded to all eligible block grant participants and statewide agencies. Exhibit 1 shows the BESE allocation of 8(g) program funds over the past five years.



Source: The 8(g) Annual Program and Budget for each fiscal year

Each year, BESE program monitors evaluate a percentage of the funded projects for program effectiveness. Based on our understanding of BESE's controls over 8(g) program monitoring and the risks identified at BESE, we performed procedures to evaluate the programmatic and fiscal monitoring of the statewide grants. BESE had adequate controls over the monitoring of the statewide grants to ensure that projects were implemented according to the approved proposals and expenditures were allowable.

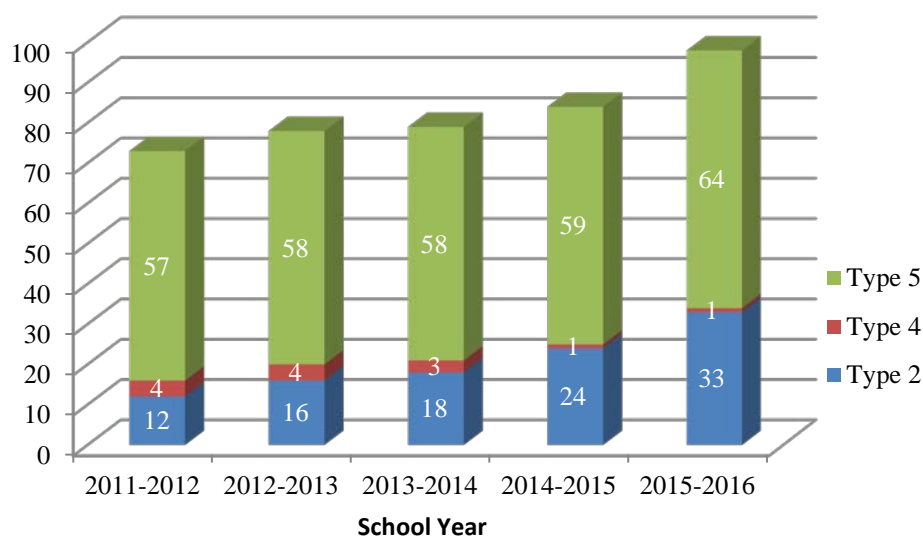
Adoption of Rules

One of the powers and duties of BESE is to enact policies and adopt rules governing the statewide operation of public and nonpublic elementary and secondary schools, including special schools and entities in the Special School District. The Administrative Procedures Act (APA) provides the guidelines that must be followed to approve new policy, or amend or repeal existing policy. Based on our understanding of BESE's controls over the rule-making process, we performed procedures to determine if BESE followed the guidelines outlined in the APA. BESE had adequate controls in place to ensure that rules were adopted in accordance with the APA.

Charter School Contract Extensions and Renewals

BESE authorizes Type 2, 4, and 5 charter schools. Type 2 charter schools are new or conversion schools authorized by BESE. Type 4 charter schools are new or conversion schools authorized by both the local school board and BESE. Type 5 charter schools are schools within the Recovery School District authorized by BESE. DOE is responsible for the oversight of BESE-authorized charter schools. Exhibit 2 shows the BESE-authorized charter schools by type for the past five years.

Exhibit 2
BESE Authorized Charter Schools, by Type



Source: Louisiana Type 2, 4, and 5 Charter Schools Annual Reports

For BESE-authorized charters, the state superintendent makes a recommendation to BESE as to whether to grant a charter extension or renew a charter. The recommendation is based on DOE's review of the charter school's academic, financial, and legal and contractual performance. BESE votes to approve or deny the extension or renewal. Based on our understanding of the criteria for charter extensions and renewals, we performed procedures to determine if extensions and renewals were granted in accordance with BESE Bulletin 126, *Charter Schools*. BESE, as delegated to DOE, had adequate controls in place to ensure that extensions and renewals were made in accordance with established criteria.

Under Louisiana Revised Statute 24:513, this procedural report is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Board of Elementary and Secondary Education (BESE) for the period from July 1, 2013, through May 15, 2015. Our objective was to evaluate certain internal controls BESE uses to ensure compliance with applicable laws and regulations and to provide accountability over public funds. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The annual fiscal reports of BESE were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. BESE's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. Our procedures included the following:

- We evaluated BESE's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to BESE.
- Based on the documentation of BESE's controls and our understanding of related laws and regulations, we performed procedures on selected controls relating to 8(g) program monitoring, adoption of rules, and charter contract extensions and renewals.
- We compared the most recent current and prior-year financial activity using BESE's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from BESE management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at BESE and not to provide an opinion on the effectiveness of BESE's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.