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THE TENSAS CHARTER SCHOOL, INC.
FINANCIAL STATEMENTS
With
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-28-04

The Tensas Charter School, Inc.
Financial Report
Year Ended June 30, 2002
Table of Contents

| | <u>PAGE</u> |
|---|-------------|
| I. FINANCIAL | |
| Independent Auditors' Report | 1 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Statement of Functional Expenses | 6 |
| Notes to Financial Statements | 7 |
| II. SUPPLEMENTARY FINANCIAL INFORMATION | |
| Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 12 |
| Summary Schedule of Findings | 14 |
| Schedule of Prior Year Findings | 17 |
| Management Corrective Plan | 20 |
| Data Collection Form | 21 |

THE HALFORD FIRM, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Louisiana State Board of Elementary and Secondary Education
P. O. Box 94064
Capitol Station
Baton Rouge, Louisiana 70804-9064

We have audited the accompanying statement of financial position of The Tensas Charter School, Inc. (a nonprofit organization) as of June 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the third paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Amounts reported as property and equipment for the Tensas Charter School, Inc. were not supported by a detailed listing of assets. Additionally, the records of disbursements maintained by The Tensas Charter School, Inc. contained numerous inaccuracies and in many instances, adequate supporting documentation for expenditures was unavailable. Because of the inadequacies in the accounting records and the lack of a detailed listing of assets, the scope of our work was not sufficient to enable us to express an opinion on the property and equipment balances and the related depreciation expense at June 30, 2002, nor on the proper classification of expenditures in the Statement of Functional Expenses on Page 6 of this report.

In our opinion, except for the effects, if any, on the financial statements of the matters discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Tensas Charter School, Inc. as of June 30, 2002, and the changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

To the Louisiana State Board of Elementary and Secondary Education
December 5, 2003
Page Two

In accordance with Government Auditing Standards, we have also issued a report dated December 5, 2003, on our consideration of The Tensas Charter School, Inc.'s internal control structure and on our tests of its compliance with certain laws, regulations, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit. Also, that report contained an instance of noncompliance.

As discussed in Note 7 to the financial statements, The Tensas Charter School, Inc.'s failure to meet generally accepted accounting standards of fiscal management resulted in a vote by the Louisiana State Board of Elementary and Secondary Education to revoke the charter of the Tensas Charter School, Inc. effective February 28, 2003, thus raising substantial doubt about the School's ability to continue as a going concern. The financial statements have been prepared under the assumption that the School will continue as a going concern, and do not include any adjustments that might need to be made if the operations of the School were to cease.

The Hopland Firm, PLLC

Vicksburg, Mississippi
December 5, 2003

The Tensas Charter School, Inc
Statement of Financial Position
Fiscal Year Ended June 30, 2002

ASSETS

| | |
|-------------------------------|-------------------|
| Current Assets | |
| Cash | \$ 5,683 |
| Property and Equipment | |
| Building | 171,857 |
| Furniture and equipment | 29,411 |
| Vehicles | 9,150 |
| | <u>210,418</u> |
| Less accumulated depreciation | 8,897 |
| Net property and equipment | <u>201,521</u> |
| Other Assets | |
| Utility deposits | <u>600</u> |
| Total Assets | <u>\$ 207,804</u> |

LIABILITIES AND NET ASSETS

| | |
|--|-------------------|
| Current Liabilities | |
| Accounts payable | \$ 50,131 |
| Current portion of long-term debt | 69,666 |
| Payroll taxes withheld and accrued | 29,054 |
| Retirement benefits payable | 34,819 |
| Total Current Liabilities | <u>183,670</u> |
| Long-Term Debt, net of current portion | <u>14,749</u> |
| Total Liabilities | 198,419 |
| Net Assets | <u>9,385</u> |
| Total Liabilities and Net Assets | <u>\$ 207,804</u> |

See accompanying notes to financial statements.

The Tensas Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2002

| | <u>Unrestricted</u> |
|--|---------------------|
| Public Support and Other Revenue: | |
| Minimum Foundation Program revenues | \$ 249,454 |
| Intergovernmental | 90,357 |
| Interest income | 204 |
| Other income | 2,194 |
| Total public support and other revenue | <u>342,209</u> |
| Expenses: | |
| Administrative expense | 151,189 |
| Program expense | 183,882 |
| Total expenses | <u>335,071</u> |
| Increase (decrease) in unrestricted net assets | 7,138 |
| Unrestricted net assets, beginning of period | <u>2,247</u> |
| Unrestricted net assets, end of period | <u><u>9,385</u></u> |

See accompanying notes to financial statements.

The Tensas Charter School, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2002

| | |
|--|-----------------|
| Cash Flows From Operating Activities | |
| Increase (decrease) in net assets | \$ 7,138 |
| Adjustments to reconcile changes in net assets provided (used) by operating activities: | |
| Depreciation | - |
| Increase (decrease) in: | |
| Accounts payable | (4,887) |
| Payroll taxes payable | 15,098 |
| Retirement benefits payable | 10,504 |
| Net cash provided (used) by operating activities | <u>27,853</u> |
| Cash Flows From Investing Activities | |
| Payments for purchase of property and equipment | <u>(16,560)</u> |
| Net cash provided (used) by investing activities | <u>(16,560)</u> |
| Cash Flows From Financing Activities | |
| Loan proceeds | 69,910 |
| Loan principal payments | <u>(77,584)</u> |
| Net cash provided (used) by financing activities | <u>(7,674)</u> |
| Beginning cash and cash equivalents | <u>2,064</u> |
| Ending cash and cash equivalents | <u>\$ 5,683</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

CASH PAID DURING THE YEAR FOR:

| | |
|----------|-----------------|
| Interest | <u>\$ 1,422</u> |
|----------|-----------------|

See accompanying notes to financial statements.

The Tensas Charter School, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2002

| | <u>Administrative Expense</u> | <u>Program Expense</u> | <u>Total</u> |
|--------------------------|-----------------------------------|----------------------------|-----------------------|
| Expenses: | | | |
| School bus (van) expense | \$ - | \$ 2,515 | \$ 2,515 |
| Insurance | 1,931 | 5,359 | 7,290 |
| School supplies | - | 6,665 | 6,665 |
| Retirement expense | 939 | 19,702 | 20,641 |
| Telephone | 6,170 | - | 6,170 |
| Textbooks | - | 8,699 | 8,699 |
| Occupancy expense | 15,412 | 709 | 16,121 |
| Equipment rent | 1,424 | 1,763 | 3,187 |
| Travel | 8,109 | 4,471 | 12,580 |
| Cafeteria expense | - | 24,640 | 24,640 |
| Salaries | 80,668 | 99,216 | 179,884 |
| Interest expense | 1,422 | - | 1,422 |
| Payroll taxes | 6,501 | 12,478 | 18,979 |
| Office expense | 9,926 | - | 9,926 |
| Professional services | 16,340 | (2,335) | 14,005 |
| Other expense | 2,347 | - | 2,347 |
| | <u>2,347</u> | <u>-</u> | <u>2,347</u> |
| Total expenses | <u>\$ 151,189</u> | <u>\$ 183,882</u> | <u>\$ 335,071</u> |

See accompanying notes to financial statements.

The Tensas Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2002

NOTE 1. ORGANIZATION

The Tensas Charter School, Inc. was granted a charter by the State Board of Elementary and Secondary Education in 2000 to provide a stimulating environment to academically challenged elementary school children. The School incorporates firm policies of discipline with parental and community involvement so that students will master essential academic and life skills. The Tensas Charter School, Inc. is a Type 2 Charter School governed by a board of directors.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

The financial statements of Tensas Charter School, Inc. are prepared in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Funding

Tensas Charter School, Inc. receives its primary funding from the State Department of Education through the State of Louisiana's Minimum Foundation Program Funding.

Property and Equipment

Tensas Charter School, Inc. capitalizes all property and equipment acquisitions over \$500. Depreciation is provided over the estimated useful lives of each class of depreciable assets and is computed on the straight-line method. No depreciation expense was provided for the year ended June 30, 2002.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and management and general in the accompanying statement of functional expenses.

The Tensas Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2002

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

The School considers all unrestricted, highly liquid investments with an initial maturity of less than three months as cash and cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Financial Statement Presentation

Under FAS No. 116, The Tensas Charter School, Inc. must recognize contributions received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value. At June 30, 2002, The Tensas Charter School, Inc. received no contributions or promises.

Under FAS No. 117, The Tensas Charter School, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition The Tensas Charter School, Inc. is required to present a statement of cash flows. Revenues received and expenses incurred in conducting the activities of The Tensas Charter School, Inc. are included in the unrestricted net assets category.

NOTE 3. PROPERTY AND EQUIPMENT

The changes in general fixed assets are as follows:

| | Balance June 30, 2001 | Additions | Deletions | Balance June 30, 2002 |
|------------------------------------|--------------------------|------------------|-------------|--------------------------|
| Building | \$ 171,857 | \$ - | \$ - | \$ 171,857 |
| Furniture & fixtures | 20,501 | 8,910 | - | 29,411 |
| Van | 1,500 | 7,650 | - | 9,150 |
| Total | 193,858 | 16,560 | - | 210,418 |
| Less accumulated depreciation | 8,897 | - | - | 8,897 |
| Property and equipment, net | \$ 184,961 | \$ 16,560 | \$ - | \$ 201,521 |

The Tensas Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2002

NOTE 4. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable consisted of the following at June 30:

| | |
|--|-----------|
| Louisiana State Board of Elementary and Secondary Education (SBESE) start-up loan in the amount of \$100,000 payable in three annual payments beginning June 30, 2001 | \$ 45,000 |
| Tensas State Bank note dated July 30, 2001 in the original amount of \$25,030 with interest at 9.37% payable at maturity, due and payable May 22, 2002 | 10,381 |
| Tensas State Bank note dated May 30, 2002 in the original amount of \$23,030 with interest at 8.5%, principal and interest payable in monthly installments of \$727.86 | 22,471 |
| Ross Bus and Equipment Sales note dated August 24, 2001 in the original amount of \$6,850 with interest at 15%, principal and interest payable in monthly installments of \$620.18, collateralized by a school bus | 3,563 |
| Loan from Berthenia Willis dated September 13, 2001 in the original amount of \$6,000 with no stated interest | 3,000 |
| Less current portion of long-term debt | 84,415 |
| | 69,666 |
| | \$ 14,749 |

Current maturities over the next two years are as follows:

| Year | Amount |
|------|-----------|
| 2003 | \$ 7,779 |
| 2004 | 6,970 |
| | \$ 14,749 |

The Tensas Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2002

NOTE 5. INCOME TAXES

The Tensas Charter School, Inc. is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 6. RETIREMENT BENEFITS

The Tensas Charter School, Inc. participates in the Teacher's Retirement System of Louisiana, a defined contribution retirement plan. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Teacher's Retirement System of Louisiana, P. O. Box 94123, Baton Rouge, LA 70804-9123, or by calling (225) 925-6446.

For the years ended June 30, 2002, the employer's contribution rate was 14.2% and the employees' contribution rate was 8%. The School's contributions to the System were \$20,641.

NOTE 7. CONTINGENCIES AND COMMITMENTS

The Tensas Charter School, Inc. is a recipient of funding through the State of Louisiana's Minimum Foundation Program. This funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of The Tensas Charter School, Inc. and is subject to audit and/or review by the applicable funding source. Any funds found to be not properly spent in accordance with the terms, conditions and regulations of the funding sources may be subject to recapture.

NOTE 7. CONTINGENCIES AND COMMITMENTS - continued

In a letter from the Louisiana State Board of Elementary and Secondary Education dated February 21, 2003, the School was notified that its charter would be revoked effective February 28, 2003 due to its failure to meet generally accepted accounting standards of fiscal management. The following are excerpts from that letter:

- "Tensas Charter School has presented a number of budget documents for FY 2002-2003, two of which demonstrated accounting irregularities by reporting inconsistent revenue and expenditure time periods. None of the budget documents presented into evidence have been balanced at fiscal year."
- "Tensas Charter School has failed to pay past due payroll taxes and past due amounts to the Teacher's Retirement System of Louisiana as required by law. Tensas Charter School also has other outstanding accounts payable."

The Tensas Charter School, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2002

NOTE 7. CONTINGENCIES AND COMMITMENTS - continued

- "Tensas Charter School has failed to exhibit the ability to effectively manage state and federal allocations in a manner that result in its matching its expenditures to its revenues to produce a balanced budget and remain fiscally sound."
- "The board of directors of Tensas Charter School is ordered to immediately begin assisting parents in transferring the students to their local public or non-public school. All student records are to be delivered immediately to the school receiving the transferred students."
- "The board of directors of Tensas Charter School is ordered to immediately complete an accurate inventory of the assets of the Tensas Charter School, identifying all equipment or supplies purchased with state or federal funds, in order to facilitate transfer of same to the state or the state's designated recipient."
- "The board of directors of Tensas Charter School is ordered to compile a list of outstanding debts and liabilities of the charter school and to provide a notarized affidavit attesting to the accuracy of that list to BESE by February 25, 2003."
- "The board of directors of Tensas Charter School is ordered to immediately freeze all spending from all of the school's cash and bank accounts, and to provide an accounting of all cash and accounts to BESE by February 25, 2003."
- "All administrative functions of the school must be finalized and reconciled no later than February 25, 2003, at which time all on-going per-pupil state and federal funding shall cease."

NOTE 8. CONCENTRATION OF REVENUE SOURCE

The Tensas Charter School, Inc. receives its primary support from the State of Louisiana's Minimum Foundation Program. As discussed in Note 7 of the financial statements, the Louisiana State Board of Elementary and Secondary Education ceased all per-pupil state and federal funding as of February 25, 2003.

THE HALFORD FIRM, PLLC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Louisiana State Board of Elementary and Secondary Education
P. O. Box 94064
Capitol Station
Baton Rouge, Louisiana 70804-9064

We have audited the financial statements of The Tensas Charter School, Inc. as of and for the year ended June 30, 2002, and have issued our report thereon dated December 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Tensas Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying summary schedule of findings as item 2002-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Tensas Charter School, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses and are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of findings as items 2002-02 through 2002-04.

To the Louisiana State Board of Elementary and Secondary Education
December 5, 2003
Page Two

This report is intended solely for the information and use of the Board of Directors, The Louisiana State Board of Elementary and Secondary Education and the Louisiana Legislative Auditor's office 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 for the State of Louisiana as a public document.

The Hulford Firm PLLC

Vicksburg, Mississippi
December 5, 2003

The Tensas Charter School, Inc.
Summary Schedule of Findings
For the Year Ending June 30, 2002

We have audited the financial statements of The Tensas Charter School, Inc. as of and for the year ended June 30, 2002, and have issued our report thereon dated December 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits outlined in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2002 resulted in a qualified opinion.

Section I Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Compliance

-The following material issue of noncompliance was noted:

2002-01 Paragraph 333.01 of the Louisiana Governmental Audit Guide issued the by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, August 1, 2002 revision states:

"All audit and engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee's fiscal year."

The Tensas Charter School, Inc. failed to provide the auditor with the records necessary to perform the audit in a timely manner.

Internal Control

-The following reportable conditions, which we consider to be material weaknesses were noted:

2002-02 Paragraph 212.01 of the Louisiana Governmental Audit Guide issued the by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, August 1, 2002 revision states:

"The first and most important requirement of an accounting system is that there be an audit trail. Every transaction in the system must be traceable to supporting documentation. It should be possible to trace the occurrence of an event from the supporting documentation, to initial recording, to summarization in a general ledger account, comparison to budgeted amounts, and interim and annual financial reports. This trail is facilitated by file control and a reconciling series of journals, ledgers, subsidiary ledgers, and reports."

-continued

The Tensas Charter School, Inc.
Summary Schedule of Findings - continued
For the Year Ending June 30, 2002

Section I Summary of Auditors' Reports - continued

Internal Control – 2002-02 - continued

The Tensas Charter School, Inc. does not maintain an adequate set of financial records. Certain receipts and disbursements are summarized in a general ledger. However, such transactions are not recorded on schedules, nor are all transactions recorded on the books. Such a system does not permit the preparation of accurate and reliable financial statements. The importance of a good accounting system cannot be overemphasized. Without adequate financial records, management is basing its decision on incomplete and/or inaccurate information during the year, and excessive time is spent at year end in preparing and auditing the financial statements. **This was a finding for the year ended June 30, 2001.**

2002-03 The payment and recording of expenses should be closely monitored. The miscoding of expenses may result in inaccurate monthly financial statements and increased time reconciling accounts at month and year-end. The disbursements should be made only from approved documentation such as original invoices. Supporting documentation should be canceled to prevent reuse and eliminate double payments.

Results of our tests indicated that over 50% of the disbursements tested had no supporting documentation (i.e., invoices, purchase orders), 100% had no indication of payment authorization, 8% were paid with duplicate check numbers, 100% had no indication of proper classification, and there was no consistent method of indicating that an invoice had been paid, if at all. Additionally, invoices were difficult to locate due to inconsistent filing methods. **This was a finding for the year ended June 30, 2001.**

2002-04 Detailed property records are an important management tool in maintaining control over fixed assets. The detailed records should be updated each time a piece of equipment is purchased, sold, or discarded. A fixed asset control system is invaluable in analyzing replacement needs, determining adequate insurance coverage, compiling an accurate inventory of assets, and reducing the risk of losing assets.

The Tensas Charter School, Inc. does not maintain a complete listing of the School's fixed assets. **This was a finding for the year ended June 30, 2001.**

-continued

The Tensas Charter School, Inc.
Summary Schedule of Findings - continued
For the Year Ending June 30, 2002

Section II Financial Statement Findings

2002-05 The Tensas Charter School, Inc. did not maintain a depreciation schedule for the year ended June 30, 2002, nor was a depreciation schedule for the year ended June 30, 2001 available. Consequently, the School did not record depreciation expense for the year ended June 30, 2002. However, depreciation expense was recorded for the year ended June 30, 2001.

2002-06 In accordance with Louisiana Revised Statute 17:3991(C)(1)(6)(a), a charter school must employ teachers certified by the state board or the French Ministry of Education for at least seventy-five percent (75%) of the instructional staff employed by the charter school.

Personnel records are not maintained properly. Consequently, we were unable to determine compliance or noncompliance with the above criteria. **This was an internal control finding for the year ended June 30, 2001.**

Section III Federal Award Findings and Questioned Costs

2003-07 The Tensas Charter School, Inc. paid the Director's personal Blue Cross Blue Shield health insurance premiums. The total amount paid was unable to be determined due to the inadequacies of the financial records.

The Tensas Charter School, Inc.
Schedule of Prior Year Findings
Year Ended June 30, 2002

Section I Summary of Auditor's Reports

a Report on Internal Control and Compliance Material to the Financial Statements

Compliance

1. The School did not comply with the public bid law of the State of Louisiana when purchasing its building. Therefore, they do not have any way of knowing if the amount they paid was excessive or not.
2. The School paid board members \$25 per meeting for a portion of the year when the Charter School Law states that board members shall receive no compensation other than reimbursement of actual expenses incurred while fulfilling duties as a member of the school board.
3. On several occasions the School contracted with board members or employees for services. This is a violation of the State of Louisiana Code of Ethics if approval is not requested and received prior to the contract.

Internal Control

1. The School's accounting system did not provide management or the Board of Directors with any financial statements, budget reports or cash flow statements. The only financial data provided to management or the Board of Directors was a listing of unpaid bills for the previous month. The School's accounting system should provide management and the Board of Directors with adequate financial information to be used in planning, monitoring and controlling the financial operation of the school.
2. There is not adequate separation of duties in relation to cash to reduce to a relatively low level that misstatements would be detected in a timely period.
3. The School's accounting system (the amount that does exist) does not provide complete, accurate or useable information. Some of these deficiencies were the recording of notes payable to a local bank in an account titled "Contracts payable - current". As a result of the way some liabilities were recorded, it could be very misleading to any user. A system of recording the general ledger and financial statements should be adopted that provides any user with clear, concise and accurate information.

-continued

The Tensas Charter School, Inc
Schedule of Prior Year Findings - continued
Year Ended June 30, 2002

Section I Summary of Auditor's Reports - continued

- a Report on Internal Control and Compliance Material to the Financial Statements - continued

Internal Control - continued

4. The School's accounting system is recorded on the cash basis monthly. This results in unpaid bills not being included on the general ledger or financial statements. An example of this was an unpaid bill on the purchase of the modular portable building in the amount of \$43,174. This amount is not included in any financial report prepared by the office manager and used by management or the Board of Directors. The School's accounting records should be complete and include all financial transactions whether or not the bill has been paid.
5. The accounting records should contain documentation supporting every financial transaction. Data should be maintained by the School that provides an audit trail on each deposit and disbursement. In the period under review, the supporting data could not be located for transactions that occurred on several notes at a local bank.
6. Lack of Bank Reconciliations – The School's business manager did not reconcile the bank balance with the balance reflected on the general ledger on a monthly basis. This is a very important step in verifying the accuracy of the financial records and safeguarding the asset of cash. A reconciliation should be prepared monthly and agreed to the general ledger before the books are closed for the month. Without this procedure the School cannot be assured that their records are accurate and that any safeguards for the assets are in place.
7. Incomplete Personnel Files/Leave Data – The personnel files do not contain data relative to each employees salaries or pay rates, leave taken or used, remaining leave, etc. These personnel files should contain all data pertinent to the employee.
8. The School does not maintain a complete listing of the school's fixed asset. Without a complete listing of the assets it is impossible to safeguard them and prevent misuse or misappropriation of the assets.

-continued

The Tensas Charter School, Inc.
Schedule of Prior Year Findings - continued
Year Ended June 30, 2002

Section I Summary of Auditor's Reports - continued

- a. Report on Internal Control and Compliance Material to the Financial Statements - continued

Internal Control - continued

9. The School's modular portable building is located on property owned by a former employee and the school does not have a valid lease in place. The School and Mr. Kelly agreed to the verbal lease of \$300 per month and the school paid \$1,500 of this lease expense before it was found to be an ethics violation by the State of Louisiana. After realizing this, Mr. Kelly refunded the \$1,500 and was terminated as an employee, but a lease has still not been signed by both parties. This could pose a serious problem for the school because of the potential expense of moving the building if a lease cannot be agreed upon and the possibility of Mr. Kelly requesting an unreasonable amount of rent.

Section II Financial Statement Findings

None noted.

Section III Federal Award Findings and Questioned Costs

None noted.

The Tensas Charter School, Inc.
Management Corrective Plan for the Year Ended June 30, 2002

At the time this audit was performed, The Tensas Charter School, Inc.'s charter had been revoked by the Louisiana State Board of Elementary and Secondary Education. Consequently, management was unavailable to submit a management corrective plan.