

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Tensas Parish School Board -
Head Start Program**
St. Joseph, Louisiana

August 13, 2003



Investigative Audit

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Daryl G. Purpera, CPA, CFE

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August 13, 2003

HONORABLE DELYNN VINES
BOARD PRESIDENT
TENSAS PARISH SCHOOL BOARD
St. Joseph, Louisiana

Transmitted herewith is our investigative report of the Tensas Parish School Board - Head Start Program. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations as well as your response. Copies of this report have been delivered to the Tensas Parish School Board; the Honorable James "Buddy" Caldwell, District Attorney for the Sixth Judicial District of Louisiana; and others, as required by state law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin".

Grover C. Austin, CPA
First Assistant Legislative Auditor

JLM:LT:DGP:dl

[TENSBHSP03]

Executive Summary

Investigative Audit Report Tensas Parish School Board - Head Start Program

Background *(See page 3.)*

The Tensas Parish School Board (School Board) was created under Louisiana Revised Statute (R.S.) 17:51 for the purpose of providing public education for children within Tensas Parish. The School Board is authorized by R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana, and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of seven members who are elected from seven districts for terms of four years.

The School Board operates four schools within the parish with a total enrollment of 959 pupils. In conjunction with the regular educational programs, some of these schools offer special education, adult education, and head start programs. In addition, the School Board provides transportation and school food services for these students.

The legislative auditor received information of possible improprieties involving the Head Start Program. This office began an audit of the allegations, reviewing School Board records and interviewing certain School Board employees and others as deemed appropriate.

Finding *(See page 7.)*

During the period September 1999 through October 2002, Head Start funds totaling \$5,571 were used for purposes not allowed by law or School Board policy or the funds were used for purposes that appear to be wasteful. Ms. Wanda Arnold, Director of the Head Start Program, used the following:

1. \$2,099 to pay her husband, Hoyt Arnold, for catering services
2. \$1,087 for travel costs, cellular phones, gifts for employees, and flowers that do not appear to have a public purpose
3. \$614 to pay the telephone bills for the Adult Education Program
4. \$1,771 to purchase items not needed by the program

In addition, two cameras purchased with Head Start funds are missing; the required quotes were not obtained for certain purchases; and assets were improperly given to employees.

Recommendations (See page 13.)

The School Board should exercise greater control and scrutiny over the use of Head Start funds. The superintendent or business manager should have final review of purchases to ensure that the purchases are necessary and in compliance with School Board policy and Head Start regulations. In addition, the school board should:

1. Ensure that all employees are aware of the applicable provisions of the Louisiana Code of Governmental Ethics and require an annual certification from each employee regarding his/her compliance. The School Board should ensure that these policies are adhered to by all employees.
2. Review its travel policies and make changes as necessary to ensure that public funds are used only for business related travel costs. Claims for travel reimbursement should be reviewed to ensure that no personal costs are included.
3. Adopt a cellular phone policy providing for the allowable use of cellular phones and requiring reimbursement for all personal use.
4. Review the provisions of the Louisiana Constitution regarding donation of public funds and ensure that all purchases are for an allowable public purpose; gifts for employees should not be purchased.
5. Only use Head Start funds for purposes related to the program. Where costs are incurred by Head Start that relate to other programs, the School Board should implement a cost allocation procedure to ensure proper reimbursement of the funds.

Head Start funds should be used in an effective manner. The School Board should ensure that an adequate review of purchases is made before expending Head Start funds to ensure that all purchases are an effective use of these dollars.

In addition, the School Board should ensure that assets purchased are properly controlled and accounted for. When disposing of used equipment, the School Board should adhere to its policy requiring public bid; assets should not be donated to School Board employees. Furthermore, the School Board should establish a policy regarding the use of School Board equipment at an employee's residence.

Management's Response (See Attachment I.)

Superintendent Donald Pennington stated that the School Board has no reason to question the findings of fact in this report. The School Board agrees that some changes should be made as to how the Head Start Program expends its funds. The School Board intends to conduct intensive training and implement the following policies and procedures in an attempt to avoid future problems of the same nature.

- Every other year, the School Board will require only employees in supervisory positions, who have control over expenditure of program funds, to receive training in accordance with the Louisiana Code of Governmental Ethics.
- The School Board will task an individual in the School Board office with the responsibility of reviewing travel reimbursement claims to ensure, to the greatest extent possible, that no personal costs are included.
- The School Board will begin drafting and implementing a cellular phone policy as soon as possible.
- The School Board intends to implement intensive training in the areas of property disposal and allowable expenditures.
- The School Board will provide additional training to supervisory level employees with regard to cost allocation procedures and proper reimbursement of funds that relate to other programs.
- The School Board will reiterate to supervisory level employees the policies on asset control, purchase, and personal use.

Background and Methodology

The Tensas Parish School Board (School Board) was created under Louisiana Revised Statute (R.S.) 17:51 for the purpose of providing public education for children within Tensas Parish. The School Board is authorized by R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana, and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of seven members who are elected from seven districts for terms of four years.

The School Board operates four schools within the parish with a total enrollment of 959 pupils. In conjunction with the regular educational programs, some of these schools offer special education, adult education, and head start programs. In addition, the School Board provides transportation and school food services for these students.

The legislative auditor received information of possible improprieties involving the Head Start Program. This office began an audit of the allegations, reviewing School Board records and interviewing certain School Board employees and others as deemed appropriate.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the School Board; (2) interviewing other persons as appropriate; (3) examining selected School Board records; (4) performing observations and analytical tests; and (5) reviewing applicable state and federal laws and regulations.

The result of our investigative audit is the finding and recommendations herein.

Finding

During the period September 1999 through October 2002, Head Start funds totaling \$5,571 were used for purposes not allowed by law or School Board policy or the funds were used for purposes that appear to be wasteful. Ms. Wanda Arnold, Director of the Head Start Program, used the following:

1. \$2,099 to pay her husband, Hoyt Arnold, for catering services
2. \$1,087 for travel costs, cellular phones, gifts for employees, and flowers that do not appear to have a public purpose
3. \$614 to pay the telephone bills for the Adult Education Program
4. \$1,771 to purchase items not needed by the program

In addition, two cameras purchased with Head Start funds are missing; the required quotes were not obtained for certain purchases; and assets were improperly given to employees.

Catering Services

On eight separate occasions during the period September 1999 through October 2002, Mr. Hoyt Arnold, Ms. Arnold's husband, performed catering services for the Head Start Program. Ms. Arnold, as part of her job duties, approved invoices and directed payments totaling \$2,099 for these catering services. The checks were made payable to Hoyt's Trak and Food. Hoyt's Trak and Food is the name of a business once owned by the Arnolds. The Arnolds did not close their Hoyt's Trak and Food bank account after the sale of the business. Ms. Arnold stated that she deposited Head Start checks into the account. The Louisiana Code of Governmental Ethics [Louisiana Revised Statute (R.S.) 42:1113¹] prohibits employees and their immediate family from entering into any transaction that is under the supervision or jurisdiction of the agency of such employee.

Head Start Funds Used for Non-public Purposes

From June 2002 through March 2003, Ms. Arnold used \$1,141 of Head Start funds to pay for items that do not appear to be for a public purpose including the following:

- Personal cab fare
- Cell phone bills
- Gifts and flowers for staff

Head Start funds may only be used for purposes that serve a valid public purpose.

¹ R.S. 42:1113 provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

Cab Fare

On November 16, 2002, Ms. Arnold and Ms. Lori Anglin, education coordinator, flew to Washington, D.C., to attend a conference. Ms. Arnold stated that her husband and daughter accompanied her on the trip. Ms. Arnold, her family, and Ms. Anglin stayed at the hotel hosting the conference. Upon returning home, Ms. Arnold submitted cab fare receipts totaling \$331 for the trip to Washington, D.C. Of this amount, \$100 was for cab rides to and from the airport. The remaining \$231 was for cab rides to various locations in Washington, D.C., including:

- Elbert's Grill
- Union Station
- New Heights
- Kennedy Center
- Lei Garden
- Chinatown

TAXICAB RECEIPT	
Date: <u>11/18/02</u>	
Origin of trip: <u>Kennedy Center</u>	
Destination: <u>Manassett</u>	
Fare: <u>35.00</u>	Sign: <u>Billy Green</u>
TAXI CAB RECEIPT	
DATE: <u>11/18/02</u>	
CAB FARE FROM: <u>Manassett</u>	
TO: <u>Kennedy Center</u>	
NO. OF PASSENGERS: <u>2</u>	TOTAL FARE: \$ <u>26.00</u>
CAB CO. & NO.:	DRIVER: <u>Jays</u>

CENTURYTEL	
DATE: Aug 16, 2002	PAGE: 6
ACCOUNT: 02022820	Price Plan ARK/LA COMPANION .25
HOYT ARNOLD	
PHONE SUMMARY	
HOYT ARNOLD 203 VERONA NEWELLTON, LA 71357	
Service Charges and Credits	
Minutes	5.01CR
	0.00
	0.00
Account number 02022820	2.24
	0.15CR
	0.00
	0.00
	0.00

Bill in Hoyt Arnold's name but paid by Head Start

AT&T	
DATE: Oct 16, 2002	PAGE: 6
ACCOUNT: D2022820	Price Plan ARK/LA COMPANION .25
WANDA ARNOLD	
PHONE SUMMARY	
WANDA ARNOLD PO BOX 628 NEWELLTON, LA 71357	
Service Charges and Credits	
Minutes	14.99
	0.00
	0.00
	8.69
	2.24
	0.71
	0.00
	0.00

Bill in Wanda Arnold's name but paid by Head Start

Ms. Arnold stated that she, her family, and Ms. Anglin took the above listed trips. Ms. Anglin, however, stated that she only accompanied Ms. Arnold one time when they took a cab. Ms. Anglin further stated that Ms. Arnold informed her that she (Arnold) would take care of the cab fare. Some of the receipts indicate that only two people rode in the cab. According to Ms. Arnold, the reason the cab receipts indicate only two people rode in the cab is because that is all Head Start would reimburse. Though the School Board may choose to authorize the use of Head Start funds for necessary travel, the public purpose of these cab fares (\$231) appears questionable.

Cell Phone

During July 2002, Ms. Arnold added a cell phone to the Head Start cellular phone plan. Head Start funds totaling \$240 were used to pay the phone bills for this phone during the period August 2002 through February 2003. The cell phone is used by Ms. Arnold and is not listed on the Head Start cell phone list.

The bills dated August 16, 2002, and September 17, 2002, indicate Hoyt Arnold as the owner of the phone. Hoyt Arnold is Ms. Arnold's husband and is not an employee of Head Start. Ms. Arnold stated that when she realized the phone was in her husband's name she had it changed. The cell phone bills dated October 16, 2002, through February 18, 2003, indicate Ms. Arnold as the owner of the phone. Ms. Arnold stated she recently (April 2003) realized the phone was in her name and called to have that corrected. In addition, Ms. Arnold stated that she does make personal calls from this phone. A determination as to the frequency of the personal calls cannot be determined because detailed phone records are not maintained.

Gift and Flower Purchases

During the period June 2002 through February 2003, Ms. Arnold used \$616 of Head Start funds to purchase gifts and flowers. Ms. Arnold used \$440 to purchase Avon products that she gave to her staff as gifts. Ms. Arnold also used \$176 to purchase flowers that she gave to herself and staff as birthday presents. Ms. Arnold stated she thought she could purchase these items with Head Start funds to improve morale.

Funds Used for Adult Education Program

As well as being the Head Start Director, Ms. Arnold is the Adult Education Director for Tensas Parish. During the period October 2002 through March 2003, Ms. Arnold used \$614 of Head Start funds to pay the Adult Education Center's phone bills. Head Start funds should only be used for purposes benefiting the Head Start Program.

Items Purchased But Not Needed

Ms. Arnold used \$1,771 of Head Start funds to purchase items that appear were not needed by the Head Start Program including:

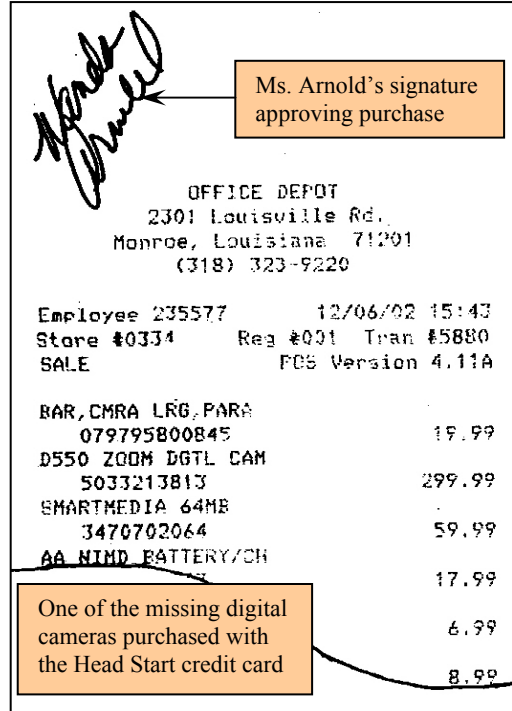
- PA system - \$910
- Five cordless keyboards - \$236
- Color television - \$200
- Steam cleaner - \$190
- Power washer - \$150
- Video cassette recorder - \$85

According to Head Start employees, the PA system has been used only once and the keyboards, television, steam cleaner, power washer, and video cassette recorder have never been used. Employees questioned the need for the steam cleaner noting that they already had one available and that they hire a vendor to clean the carpets. Employees also questioned the purpose of the power washer; one employee stated it had no Head Start purpose. Ms. Arnold claimed that the power washer was in the Head Start storage building. After being informed the power washer was not in the storage building, Ms. Arnold stated it was at her home. Ms. Arnold also stated that she did not think it was a problem to use the power washer at her home. Employees also

noted that, though the television and video cassette recorder were purchased nearly two years ago, the power cords are still tied with the original packaging material.

Missing Cameras

During the period June 2001 through December 2002, Head Start purchased five digital cameras. Two of these cameras are missing. Only three of these cameras were listed on the Head Start asset listing. The two missing cameras were purchased in June and December 2002 at a total cost of \$650. Ms. Arnold approved both of the purchases by either signing the receipt or the purchase requisition. Ms. Arnold explained that she dropped, broke, and threw away one of the missing cameras and that the other camera was at the Head Start office but is now gone.



Violations of Purchasing Policy

The School Board purchasing policy states that all purchases of \$1,000 or more require three quotes. The Head Start Program failed to obtain the required quotes when purchasing the following:

- Three desktop computers - \$5,244
- Four desktop computers - \$5,163
- Three laptop computers - \$4,211
- Four air conditioning units - \$3,060
- A laptop computer - \$1,473

For each of the above purchases, documentation indicating that the required quotes had been obtained could not be found.

Disposition of Assets

School Board policy regarding property disposal states that surplus equipment shall be advertised for sale and sold by bid to the highest bidder. State law², though not requiring advertisement and competitive bid, provides that the School Board may sell its equipment at a private or public sale. Furthermore, the Louisiana Constitution³ prohibits the donation of state assets to individuals.

² R.S. 17:87.6 provides, in part, that a school board may sell, lease, or otherwise dispose of, at public or private sale, for cash or on terms of credit, any school site, building, facility, or personal property which is not used and, in the judgment of the school board, is not needed in the operation of any school or schools within its jurisdiction. Any such sale, lease, or disposal of such school property shall be on such terms and conditions and for such consideration as the school board shall prescribe.

³ Article VII, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Ms. Arnold failed to follow School Board policy and this constitutional provision when disposing of two air conditioning units, a desk, and a desktop computer.

Air Conditioning Units

Head Start purchased five air conditioners to replace the existing air conditioners in the Head Start classrooms. On February 10, 2000, Head Start paid for the purchase of one air conditioner and on June 29, 2001, paid for the other four. Ms. Turner, Health and Disabilities Coordinator, stated that one of the old air conditioners was given to Ms. Georgia Spurs, a custodian at Newellton High School. Ms. Spurs stated that Ms. Arnold gave her an air conditioner. Ms. Hill stated that when the air conditioner in her classroom was replaced, Ms. Arnold gave her the old one. Ms. Arnold stated that if Ms. Hill and Ms. Spurs said she gave them air conditioners then she did. The remaining three old air conditioners are being used by Newellton High School.

Office Desks

On June 6, 2001, Head Start funds were used to purchase new desks for the staff. Ms. Arnold relocated several of the old desks to Newellton High School. However, Ms. Arnold took the old desk that was in her office to her house. Ms. Arnold has since returned the desk.

Desktop Computers

On August 25, 2001, Head Start paid for four new desktop computers to replace the desktop computers in the Head Start office. Though two of the old computers are being used in a classroom and another is being used by the receptionist, Ms. Arnold stated that she has one of the old computers at her house.

Though a public purpose is served by relocating the replaced equipment to classrooms and for administrative use, Article VII, Section 14 of the Louisiana Constitution⁴ prohibits the School Board from donating used equipment to employees.

⁴ Article VII, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Recommendations

The Tensas Parish School Board (School Board) should exercise greater control and scrutiny over the use of Head Start funds. The superintendent or business manager should have final review of purchases to ensure that the purchases are necessary and in compliance with School Board policy and Head Start regulations. In addition, the School Board should:

1. Ensure that all employees are aware of the applicable provisions of the Louisiana Code of Governmental Ethics and require an annual certification from each employee regarding their compliance. The School Board should ensure that these policies are adhered to by all employees.
2. Review its travel policies and make changes as necessary to ensure that public funds are used only for business related travel costs. Claims for travel reimbursement should be reviewed to ensure that no personal costs are included.
3. Adopt a cellular phone policy providing for the allowable use of cellular phones and requiring reimbursement for all personal use.
4. Review the provisions of the Louisiana Constitution regarding donation of public funds and ensure that all purchases are for an allowable public purpose; gifts for employees should not be purchased.
5. Only use Head Start funds for purposes related to the program. Where costs are incurred by Head Start that relate to other programs, the School Board should implement a cost allocation procedure to ensure proper reimbursement of the funds.

Head Start funds should be used in an effective manner. The School Board should ensure that an adequate review of purchases is made before expending Head Start funds to ensure that all purchases are an effective use of these dollars.

In addition, the School Board should ensure that assets purchased are properly controlled and accounted for. When disposing of used equipment, the School Board should adhere to its policy requiring public bid; assets should not be donated to School Board employees. Furthermore, the School Board should establish a policy regarding the use of School Board equipment at an employee's residence.

Attachment I

Management's Response

TENSAS PARISH SCHOOL BOARD

DELYNN VINES, President
JOSEPH M. HAZLIP, Vice-President

TELEPHONE (318) 766-3269
FAX (318) 766-3634



Donald H. Pennington, Superintendent

P. O. BOX 318 • ST. JOSEPH, LOUISIANA 71366

July 28, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
OFFICE OF THE LEGISLATIVE AUDITOR
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE:

Dear Mr. Austin:

As Superintendent of Schools for the Tensas Parish School Board, I have been asked to prepare Management's Response to the draft of the investigative audit report of the Tensas Parish School Board Head Start Program recently received from your office. On behalf of the School Board, I would like to thank you for giving us the opportunity to have input during your investigation and for this chance to respond.

Overall, we have no reason to question the findings of fact which your office made and incorporated into its preliminary report. We agree that some changes should be made in the Head Start Program and with the manner in which funds in connection with that program are expended. It is the intention of the School Board to do intensive training of the employees of the Head Start Program in an attempt to avoid future problems of the same nature.

With regard to the recommendations contained in your report, we would respond as follows:

- (1) We agree that employees in supervisory positions who have control over expenditure of program funds should receive training at least every other year in applicable provisions of the Louisiana Code of Governmental Ethics. We feel it is unreasonable to require "all employees" (food service workers, custodians, school bus operators, etc.) to receive that training.
- (2) The School Board already has a travel policy in place, but the system agrees that there should be closer supervision of the utilization of public funds for business-related travel costs. Someone in the business office will be assigned the responsibility of reviewing travel reimbursement claims to insure to the greatest extent possible that no personal costs are included.
- (3) The school system agrees that a cellular phone policy would be helpful, and it will begin to work on drafting and implementing such a policy as soon as possible.

Mr. Grover C. Austin, CPA

July 28, 2003

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- (4) The system agrees that public funds should not be donated and that purchases made by the school system must be for an allowable public purpose. In addition, the system agrees that gifts for employees should not be purchased with public funds. It is the intention of the system to provide intensive training to all supervisory staff personnel on these subjects and to continue to provide such training on a regular basis in the future.
- (5) The School Board already has in place a cost allocation procedure for proper reimbursement of funds that relate to other programs. Despite this fact, however, it is the intention of the system to provide additional training about this subject to supervisory level employees.

You have also recommended that the School Board insure that assets purchased are properly controlled and accounted for. The school system has a computerized inventory control procedure already in place for this very purpose. In addition, the Board already has a policy regarding the use of School Board equipment at an employee's residence. These policies will be explained again to supervisory level employees in an attempt to avoid future donations of public property or other problems.

In conclusion, the School Board has used your audit report as an opportunity for it to continue to improve in its financial management. Appropriate steps will be taken to address the concerns outlined in your audit report, so that the problems which led to those concerns can be eliminated.

Thanking you again for the opportunity to respond, I remain

Respectfully,



DONALD H. PENNINGTON
Superintendent

DHP: