Louisiana
Community
& Technical
College System

265 South Foster Drive
Baton Rouge, LA 70806

Phone: 225-922-2800
Fax: 225-922-1185

www.lctcs.edu

LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

December 7, 2016

Supervisors:

Timothy W. Hardy	Paul Price, Jr.
Deni Grissette	Stephen C. Smith
Stephen Toups	Mark D. Spears, Jr.
Helen Bridges Carter	Craig Spohn
Erika McConduit-Diggs	Vincent St. Blanc, III
Willie Mount	Charles T. Strong
Michael J. Murphy	Sommer Brown
N.J. "Woody" Ogé	Jennifer Burgess
Joe Potts	

Audit reports related to LCTCS issued for the time period of August 1, 2016 through November 30, 2016 include three reports issued by the Legislative Auditor and seven reports issued by LCTCS Internal Audit. There was one instance of misappropriation of assets reported to LCTCS Internal Audit for the time period of August 1, 2016 through November 30, 2016.

If you have any questions, please call me.

Sincerely,

Michael G Redmond

Michael G. Redmond, CPA, CIA, CISA, CGEIT
Director of Internal Audit
225-922-0793

cc: Dr. Monty Sullivan, President
Mr. Joseph Marin, Chief Operations Officer

LEGISLATIVE AUDITOR REPORTS ISSUED

The Legislative Auditor (LLA) issued three reports related to our system for the period August 1, 2016 through November 30, 2016.

1. Louisiana Community and Technical College System – South Central Louisiana Technical College

Report Issued November 23, 2016

The Legislative Auditor performed procedures at South Central Louisiana Technical College (College) to evaluate certain controls that the College uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds for the period from July 1, 2014, through June 30, 2016.

A. The College, as of June 23, 2016, had not completed monthly bank reconciliations for its three bank accounts for the months of April 2015 through May 2016. In addition, the monthly bank reconciliations for its three bank accounts performed for the months of July 2014 through March 2015 did not have supervisory approval. Failure to perform bank reconciliations with supervisory approval could result in errors or misstatements not being detected timely and an increased risk of misappropriation of funds. Management represented that the bank accounts had not been reconciled and that reconciliations were not approved because of employee turnover within the College's Financial Office.

   College management should ensure that the College's bank accounts are reconciled monthly and that reconciliations are approved by an appropriate level of management.

   Management concurred with the finding and outlined a plan of corrective action

B. The College did not maintain adequate controls over the assessment and refunding of student tuition and fees resulting in undercharges and losses of about $5,162.00.

   College management should ensure that all courses are properly set up in the Banner student system, along with the tuition rates to be charged and approved refund rules. Any overcharged amounts should be credited to the student accounts or refunded to the students, and efforts should be made to collect on undercharged accounts.

   Management concurred with the finding and outlined a plan of corrective action

C. The College did not make timely efforts to collect on past-due student accounts generated from the Fall 2012 semester to the Summer 2015 semester, with unpaid balances totaling approximately $215,145 at June 30, 2016. Failure to notify students of overdue accounts and failure to transfer delinquent accounts to the Department of Justice (DOJ) hinders the collectability of outstanding balances, which may impair the college's funding of ongoing operations.

College management should develop written policies and procedures to ensure timely collection notices are sent to students and delinquent student accounts are transferred to the DOJ for collection at the end of each semester.

Management concurred with the finding and outlined a plan of corrective action

D. The College did not maintain adequate controls over its Banner Enterprise Resource Planning (ERP) system that processes transactions and maintains data related to student records and registration, financial aid, human resources, payroll, and financial operations during fiscal years 2015 and 2016. Inadequate controls makes the system vulnerable to improper transaction processing, unauthorized access, and/or unapproved changes. Management represented that the inadequate controls resulted from turnover in key accounting personnel, a lack of monitoring of system access, and a lack of established procedures to close accounting periods timely.

   College management should restrict or closely monitor any access that allows an employee to initiate, process, and approve the same transactions, or otherwise change system data. In addition, management should implement procedures to close fiscal periods timely and to approve manual journals.

   Management concurred with the finding and outlined a plan of corrective action

2. Louisiana Community and Technical College System – Louisiana Delta Community College

Report Issued November 16, 2016

As a part of their audit of the Louisiana Community and Technical College System's (System) financial statements for the fiscal year ended June 30, 2016, the Legislative Auditor performed procedures at Louisiana Delta Community College (LDCC) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of LDCC's internal controls over financial reporting; and determine whether LDCC complied with applicable laws and regulations.

A. LDCC did not send out any billing notices on student accounts with unpaid balances, which totaled approximately $1.4 million at June 30, 2016. The college also did not transfer any fiscal year (FY) 2016 delinquent accounts to the Louisiana Office of Debt Recovery (ODR). Furthermore, the college does not clearly define when an account is considered delinquent. Not sending billing notices to students for overdue accounts and failing to transfer delinquent accounts to ODR hinders the collectability of the outstanding balances, which may impair the college's funding of ongoing operations. In addition, not clearly defining when an account is considered delinquent hinders the college's ability to drop non-paying students timely.

   Management should define when an account is considered delinquent and implement procedures to establish the terms and/or conditions for payment at the time an account is created; send timely billing notices to students; and transfer all delinquent student accounts to ODR for further collections.

Management concurred with the finding and outlined a plan of corrective action

B. LDCC made unauthorized salary payments totaling $36,035 to three employees when the college failed to obtain signed contract forms for these employees' adjunct and faculty overload assignments. While no time records are required for these assignments, academic deans are responsible for monitoring the classes and performing end-of-course evaluations, which were also not done for these employees.

Management should ensure that required contract forms are approved in advance of employees and adjunct instructors working overload assignments; that end-of-course evaluations are prepared after the assignments; and that controls are in place to prevent salary and wage payments being made when a contract form has not been approved. In addition, management should train and monitor its employees to ensure payroll policies and procedures are followed.

Management concurred with the finding and outlined a plan of corrective action

C. LDCC granted staff inappropriate access to the Banner accounting system and failed to develop written information system (IS) policies and procedures, increasing the risk of errors or fraud in a system that processed $27.7 million in revenues and $26 million in expenses during fiscal year 2016. Although the deficiencies above increase the risk of errors or fraud, besides the refund table date errors, no other errors or fraud were identified as a result of these deficiencies.

Management should develop and implement written IS policies and procedures and periodically monitor employees' access to ensure all access is appropriate. Management should also ensure refund tables are accurate, determine any impact the incorrect tables had on the college's operations and make corrections as needed.

Management concurred in part with the finding and outlined a plan of corrective action. Management did not concur with having to notify the System of separated or transferred employees

3. Louisiana Community and Technical College System – Bossier Parish Community College

Report Issued November 2, 2016

As a part of their audit of the Louisiana Community and Technical College System's (System) financial statements and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2016, the Legislative Auditor performed procedures at Bossier Parish Community College (BPCC) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of BPCC's internal controls over financial reporting; and determine whether BPCC complied with applicable laws and regulations. In addition, we determined whether management had taken actions to correct the finding reported in the prior year

A. BPCC failed to prepare an accurate Annual Fiscal Report (AFR), resulting in inaccurate financial information being submitted to the System for fiscal year 2016. These errors resulted from the lack of an independent review of the AFR and supporting schedules, as well as the failure to adhere to System guidance on proper classification of financial amounts prior to the submission of the AFR to the System. Good internal controls should include timely and thorough review by a knowledgeable person of the financial information included in the AFR

   Management should hold its finance personnel accountable for providing inaccurate information to the System, provide additional accounting training, and assign a knowledgeable person to review financial information before submitting its AFR to the System.

   Management concurred with the finding and outlined a plan of corrective action.

LCTCS INTERNAL AUDIT REPORTS ISSUED

LCTCS Internal Audit issued seven reports for the time period August 1, 2016 through November 30, 2016.

LACARTE PURCHASE CARDS (PCARD) / TRAVEL CARD / CONTROLLED BILLED ACCOUNTS (CBA)

The State of Louisiana's Corporate Liability Purchasing Card Program, also referred to as "LaCarte", issued a policy establishing minimum standards for possession and use of Purchase Cards. The Purchase Card is a tool used to assist in the management of purchasing, payment and accounting.

The Travel Card/CBA is a tool used to assist employees in paying for specific, higher cost travel expenses, incurred during travel for official state business. A college's participation in the "LaCarte" Purchasing Card and Travel Card/CBA program requires review of the program by Internal Audit.

1. **Northshore Technical Community College (NTCC)**
   Report Issued October 17, 2016

   Internal Audit has concluded that internal controls over the Purchase Card and CBA activities appear adequate to effectively deter and/or detect erroneous, unallowable, or fraudulent transactions. Implementation of the recommendations of this report will strengthen existing controls and further reduce the opportunity for fraud, waste and abuse of Purchase Card and CBA transactions.

2. **River Parishes Community College (RPCC)**
   Report Issued October 18, 2016

   Internal Audit has concluded that internal controls over the Purchase Card and CBA activities appear adequate to effectively deter and/or detect erroneous, unallowable, or fraudulent transactions. Implementation of the recommendations of this report will strengthen existing controls and further reduce the opportunity for fraud, waste and abuse of Purchase Card and CBA transactions.

3. **Bossier Parish Community College (BPCC)**
   Report Issued September 8, 2016

   Internal Audit has concluded that internal controls over the Purchase Card, Travel Card, and CBA activities are insufficient to effectively deter and/or detect erroneous, unallowable, or fraudulent transactions. No such transactions were found, but controls, as recommended herein, should be implemented and/or strengthened to reduce such risks to an acceptable level.

   A. The College's Travel and CBA policy is not compliant with the requirements of the Office of State Purchasing:

      - Does not include a definition for split purchasing or a policy that prohibits split purchases.
      - Does not provide for approvals during employee and/or supervisor absences.
      - Does not provide for documentation showing that the department head and approvers annually review travel and CBA cardholder limits, and appropriate card utilizations.
      - Does not require adjustment of inactive travel and CBA cardholder accounts.
      - Does not require the completion of the monthly reports, the maintenance of documentation from findings, and the completion of monthly certifications as it relates to the travel card and CBA.

      The foundation of good internal control and governance is the existence of sound policies and procedures. The College should develop policies and procedures that include all the attributes required by the Office of State Purchasing and effective internal controls.

      Management concurred with the finding and outlined a plan of corrective action.

   B. For six of 35 (17%) PCard transactions reviewed, totaling $768.79, inadequate or the incorrect receipts were uploaded into "Works". When inadequate documentation is provided, it increases the risk of non-business related transactions being approved.

      The College should require cardholders and approvers to attach detailed descriptions to receipts that provide only vague descriptions. The College should also train approvers on what to look for when approving supporting documentation.

      Management concurred with the finding and outlined a plan of corrective action.

C. For three of eight (38%) PCard transactions reviewed the log and receipt provided a generic description. It is difficult, if not impossible in some instances, for the approver to know what was purchased when looking at receipts with generic descriptions.

The College should require cardholders to attach detailed descriptions to receipts when the purchase cannot be determined from the receipt. The College should also train approvers on what to look for when approving supporting documentation.

Management concurred with the finding and outlined a plan of corrective action.

D. For three of 25 (12%) Travel Card transactions reviewed the transactions were not approved by a next level supervisor.

In accordance with State Liability Travel Card and CBA Policy, all travel card transactions must be approved by a supervisor at least one level higher than the cardholder and familiar with the business case and appropriate business needs for the cardholder's transactions. If this level of supervision is not available to an employee, the employee can utilize the CBA.

Management concurred with the finding and outlined a plan of corrective action.

E. For eight of 25 (32%) CBA transactions reviewed a CBA transaction log was not completed. In the absence of a transaction log, which gives evidence of supervisory approval, the risk of unauthorized transactions on the CBA is increased.

The College should require a signed log to be completed for CBA transactions.

Management concurred with the finding and outlined a plan of corrective action.

4. South Louisiana Community College (SoLaCC)
Report Issued August 25, 2016

A. For 10 of 141 transactions (7%), totaling $2,993.00, the cardholder used the purchase card to pay for the cardholder approver's conference registration fees and/or membership dues. Eight of these ten transactions were completed by the same employee. When cardholders pay for their approver's expenses, the approval process is circumvented. This increases the risk of non-approved and fraudulent purchases because the person with supervisory knowledge is now approving their own purchases.

Purchase cards should not be used for expenses related to the cardholder's approver. Such expenses should be processed by other means, such as through the college's CBA account. Further, the college should ensure the use of purchase cards only by the designated cardholder.

Management concurred with the finding and outlined a plan of corrective action.

B. For 16 of 141 (11%) transactions, totaling $3,473.29, the cardholder did not approve the transaction in Works. All of the above transactions were completed by the same employee. When a cardholder does not approve transactions, it increases the risk of unauthorized or inappropriate transactions on the purchase card.

The college should provide sufficient training to cardholders on the proper use of the Works system for approving their transactions. The college should further consider withholding supervisory approval until after the cardholder has approved the transactions.

Management concurred with the finding and outlined a plan of corrective action.

C. The same cardholder was responsible for 28 of 40 (70%) exceptions, which total $4,609.32. When policies and procedures are not followed, the College's risk of misappropriations of funds and assets is increased.

   The College should continue to educate cardholders and approvers of the proper use of purchase cards and the required documentation. SOLACC should consider removing access to cards of employees who are continually out of compliance with policy.

   Management concurred with the finding and outlined a plan of corrective action.

D. SOLACC's purchasing card policy states in applicable parts, "Cardholder responsibilities include obtaining necessary approvals prior to making any actual purchases… Approvals must be in writing and included with the monthly reconciliation." For 15 of 19 (79%) transactions, totaling $2,227.14, prior approval was not written. The College stated that, in these instances, the cardholders received verbal approval.

   State purchasing regulations and SOLACC's own internal policy both call for prior written approval. If verbal approval is obtained prior to a purchase, it must be confirmed in writing prior to the monthly reconciliation.

   Management concurred with the finding and outlined a plan of corrective action.

CARL D. PERKINS FISCAL MONITORING

LCTCS is the Carl D. Perkins (Perkins) grant recipient for the state of Louisiana. Federal requirements provide that LCTCS performs fiscal and programmatic monitoring of sub-recipients. LCTCS Internal Audit performs fiscal monitoring of the Perkins program. Programmatic monitoring of the Perkins program is performed by LCTCS Perkins and Compliance staff.

The Colleges reported on are sub-recipients of federal Perkins grant funds.

5. Central Louisiana Technical Community College (CLTCC)
Report Issued August 2, 2016

A. Of the 49 time and effort reports reviewed, 30 (61%) do not coincide with pay periods and are completed by calendar months. When time and effort reports do not coincide with pay periods it prevents an accurate comparison with accounting records.

   Of the 49 time and effort reports reviewed, 15 (31%) are based on accounting budgets rather than actual time worked.

   CLTCC should develop procedures documenting the proper completion of time and effort reports and train each grant related employee and supervisor in regards to these procedures. The procedures should coincide with the LCTCS GMPM and Code of Federal Regulations Title 2 part 200.

   Management concurred with the finding and outlined a plan of corrective action.

B. Salaries and Benefits were claimed on the basis of budget amounts rather than the actual time worked, and CLTCC did not adjust the budgeted amounts to actual. This led to an over-request of salaries and benefits in the amounts of $1,326 and $19.24 respectively.

CLTCC should establish a methodology for reconciling accounting records with time and effort certifications. If payroll charges to the grant are based upon the estimated percentages, the college should reconcile quarterly between the accounting charges and the time and effort supported charges. If the difference between the payroll and the time and effort reports is equal to or greater than 10%, then an accounting adjustment must be made and any over/under reimbursements must be corrected. If the quarterly difference is less than 10%, no adjustment is required until year end, when an adjusting entry must be made regardless of the amount.

CLTCC should also discuss with the LCTCS Perkins administrators whether the funds need to be returned.

Management concurred with the finding and outlined a plan of corrective action.

C. Due to an accounting error, CLTCC over-requested benefits in the amounts of $473.10 in the Basic grant and salaries in the amounts of $109.02 in the CCTC grant.

CLTCC should establish a methodology for reconciling amounts requested with the accounting records before requests are submitted for reimbursement.

Management concurred with the finding and outlined a plan of corrective action.

D. Good business practice requires that expenditures be submitted for reimbursements in a timely manner, which LCTCS Internal Audit has determined, for the purpose of our review, to be within 45 days. When transactions are not timely submitted for reimbursement, state funds are not available for use elsewhere. Timely reimbursement was not requested for three transactions tested totaling $21,303.10. The reimbursement requests were submitted to LCTCS 60 to 91 days after the expense was paid.

We recommend that CLTCC submit all expenses for reimbursement to LCTCS within 45 days after the expenses are paid.

Management concurred with the finding and outlined a plan of corrective action.

E. The college made a payment to the Rapides Parish School Board (RPSB) in the amount of $88,000.00 to be used by the RPSB as payment to Career Compass of LA (CCLA) for college and career coaching. RPSB has a contract with CCLA to which CLTCC is not a party and for which CLTCC has no obligation to pay.

Without some kind of formal agreement between the parties, CLTCC is, in essence, making a donation to the RPSB. Such donations of federal funds by the college are prohibited.

The college should identify to LCTCS Perkins management the specific benefit received from the payment made to RPSB. Absent this, the college should discuss with LCTCS Perkins management the need to request a refund from the RPSB or a refund of grant funds to the LCTCS.

Going forward, future payments, if any, to the RPSB must be in fulfillment of a written, appropriately approved contract between the parties.

Prior to the issuance of this report, CLTCC provided LCTCS IA with evidence of a written addendum to the agreement between RPSB and CCLA in which specific deliverables to CLTCC were identified. Based on this evidence, LCTCS IA considers this finding closed.

6. Nunez Community College (Nunez)
Report Issued September 8, 2016

A. Salaries and Benefits were claimed on the basis of budgeted amounts rather than the actual time worked, and Nunez did not adjust the changes to actual. This led to an overrequest of salaries and benefits in the amounts of $16,603.34 and $6,219.51 respectively.

Nunez should establish a methodology for reconciling accounting records with time and effort certifications. If payroll charges to the grant are based upon estimated percentages, the college should reconcile quarterly between the accounting charges and the time and effort report supported charges. If the difference between the payroll and the time and effort reports is equal to or greater than 10%, then an accounting adjustment must be made and any over/under reimbursements must be corrected. If the quarterly difference is less than 10%, no adjustment is required until year end, when an adjusting entry must be made regardless of the amount.

Nunez should discuss with LCTCS Perkins administrators whether funds need to be returned.

Management concurred with the finding and outlined a plan of corrective action.

B. For seven out of 72 (10%) time and effort reports, the supervisor did not sign the report.

For 53 out of 72 (74%) time and effort reports, the report was not completed after the fact.

There were four time and effort reports that were not completed.

Nunez should develop procedures documenting the proper completion of time and effort reports and train each grant related employee and supervisor in regards to these procedures. The procedures should comply with guidance in the LCTCS GMPM and Code of Federal Regulations Title 2 part 200.

Management concurred with the finding and outlined a plan of corrective action.

C. Timely reimbursement was not requested for five transactions tested totaling $6,800. The reimbursement requests were submitted to LCTCS 112 to 178 days after the expense was paid.

We recommend that Nunez submit all expenses for reimbursement to LCTCS within 45 days after the expenses are paid.

Management concurred with the finding and outlined a plan of corrective action.

7. **Southern University at Shreveport (SUSLA)**
   Report Issued November 28, 2016

   A. SUSLA expended $175,312.86 (65%) of their Perkins Basic grant award of $271,207.78, on salaries and benefits. This is $39,709 (15%) over the maximum of 50% allowed by Perkins to be spent on salaries and benefits. Justification for the exception was not provided to Perkins Administrators; therefore, written approval was not obtained. Salaries and benefits were separated into three expense categories which were not tracked to ensure that the 50% maximum was not exceeded.

      The maximum of 50% of the total award allowed by Perkins for salaries and benefits applies to the entire award, not just the salaries and benefits expense category. Charging salaries and benefits to other expense categories is not a suitable alternative to the 50% limitation.

      SUSLA does not agree with the above determination stating that they followed all LCTCS Perkins requests and reporting guidelines and subsequently received an official award letter that included the expenses in question. While LCTCS Internal Audit agrees that this issue may have been able to be identified and corrected at the budget approval stage of the grant award process or even the reimbursement stage of the process, this does not alleviate SUSLA from following grant guidelines. A key component of LCTCS Internal Audit's Perkins fiscal monitoring is identifying issues that were overlooked throughout the award process.

   B. Salaries and Benefits were claimed on the basis of budgeted amounts rather than the actual time worked. This resulted in salaries and benefits being over-requested by $8,105.38 and $4,102.49 respectively. An adjusting journal entry was completed by SUSLA on 8/31/2016 to move $4,293.70 of salaries out of the Perkins basic fund which reduced the over request of salaries to $3,811.68.

      SUSLA should reconcile quarterly between the accounting charges and the time and effort supported charges. If the difference between the payroll and the time and effort report is equal to or greater than 10%, then an accounting adjustment should be made and any over/under reimbursements must be corrected. If the quarterly difference is less than 10%, no adjustment is required until year end, when an adjusting entry must be made regardless of the amount. Also, the Director of Sponsored Programs should review required adjustments for accuracy and timeliness.

      SUSLA should discuss with LCTCS Perkins administrators whether funds need to be returned.

      Management concurred with the finding and outlined a plan of corrective action.

MISAPPROPRIATIONS REPORTED TO INTERNAL AUDIT

There was one instance of misappropriation of assets reported to Internal Audit for the time period August 1, 2016 through November 30, 2016.

College	Item	Reported Value
SOWELA	Rigid 600 Pipe Thread Drive with Die Heads	$1,352.80
SOWELA	Rigid 600 Pipe Thread Drive with Die Heads	$1,352.80
SOWELA	Bench Vises (6)	$ 341.76
	Total	**$3,047.36**