

SOUTH CENTRAL LOUISIANA TECHNICAL COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL
COLLEGE SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 29, 2018

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



South Central Louisiana Technical College

August 2018

Audit Control # 80180064

Introduction

The primary purpose of our procedures at South Central Louisiana Technical College (College) was to evaluate certain controls the College uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in our prior report.

In March 2017, the Board of Supervisors of the Louisiana Community and Technical College System (LCTCS) approved the realignment of several campuses and instructional sites. The College's realignments are as follows:

- The Marine and Petroleum Safety Training Extension Campus realigned with South Louisiana Community College effective July 1, 2017.
- The Reserve Campus realigned with River Parishes Community College effective July 1, 2018.
- The Lafourche Campus and affiliated education center located in Galliano realigned with Fletcher Technical Community College effective July 1, 2018.
- The Young Memorial Campus realigned with South Louisiana Community College effective July 1, 2018.

Results of Our Procedures

We evaluated the College's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the College's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, student receivables, student tuition and fee revenues, payroll expenses, federal contract with the United States Department of Labor for the Apprenticeship USA Expansion and Innovation Grants (CFDA 17.285), and information technology.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in the College's procedural report dated November 23, 2016. We determined that management has resolved the prior-report finding related to Inadequate Controls over the Assessment and Refunding of Student Tuition and Fees. The prior-report findings related to Bank Reconciliations Not Performed, Inadequate Collection Procedures over Delinquent Student Accounts, and Inadequate Controls over the Banner System have not been resolved and are addressed again in this report.

Current-report Findings

Inadequate Controls over Bank Reconciliations

For the second consecutive engagement, the College did not have adequate controls over its bank reconciliations, increasing the risk that errors and/or fraud could occur and not be detected in a timely manner. A review of the bank reconciliations for its three bank accounts for the months of July 2016 through March 2018 disclosed the following:

- The College did not have a bank reconciliation for the month of February 2017.
- Seven (35%) of the 20 bank reconciliations provided consisted of only bank statements, which did not clearly reconcile the bank balances to the book balances.
- None of the 20 bank reconciliations indicated a completion date.
- One (5%) of the 20 bank reconciliations did not have evidence of management review, and none of the remaining 19 indicated a date of management review.

Management did not place sufficient emphasis on maintaining adequate controls over bank reconciliations. Additionally, the College has had personnel changes. Good internal control requires reconciliation of bank account balances to the accounting records on a monthly basis, including management approval. Bank reconciliations provide management with a basis to ensure that all transactions that affect both the bank accounts and the accounting records are in agreement.

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 (see Appendix A, page 1).

Inadequate Collection Procedures over Delinquent Student Accounts

For the second consecutive engagement, the College did not make timely efforts to collect on past-due student accounts generated from the Fall 2015 semester to the Fall 2017 semester, with unpaid balances totaling approximately \$151,058 at June 30, 2017. Failure to timely notify

students of overdue accounts and failure to timely 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.

In our review of delinquent student accounts, the following deficiencies were noted:

- The College transferred its delinquent student accounts for the Fall 2015 through Summer 2016 semesters to the DOJ for collection on February 20, 2017, which ranged from 156 to 384 days late. The College represented it sent initial collection notices to the students on September 16, 2016, which ranged from 49 to 317 days late.
- The College transferred its delinquent student accounts for the Fall 2016 semester to the DOJ for collection on May 8, 2017, which is 93 days late.
- The College transferred its delinquent student accounts for the Spring 2017 semester to the DOJ for collection on November 7, 2017, which is 127 days late. The College represented it sent initial collection notices to the students on June 2, 2017, which is 60 days late.
- The College transferred its delinquent student accounts for the Summer 2017 semester to the DOJ for collection on January 25, 2018, which is 130 days late.
- The College transferred its delinquent student accounts for the Fall 2017 semester to the DOJ for collection on February 26, 2018, which is 27 days late.

LCTCS's policy states that it is the responsibility of each institution to establish the terms and/or conditions for payment at the time an account is created and to follow up routinely and diligently on all accounts receivable. The College has an agreement with the DOJ to perform further collection activities on behalf of the College. The College's agreement with the DOJ states, "Placement of said accounts shall be at the discretion of the Agency in consultation with DOJ." The College's procedure is to transfer the delinquent student accounts to the DOJ 60 days after the end of the semester and send an initial collection notice to the student 14 days after the last payment is due for the semester. The College does not have written policies and procedures documenting the collection procedures over delinquent student accounts.

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 (see Appendix A, page 2).

Inadequate Controls over the Banner System

For the second consecutive engagement, the College did not maintain adequate controls over its Banner Enterprise Resource Planning system that processes transactions and maintains data related to student records and registration, financial aid, human resources, payroll, and financial operations during fiscal years 2017 and 2018. Inadequate controls make the system vulnerable

to improper transaction processing, unauthorized access, and/or unapproved changes. The following weaknesses were noted:

- One employee during fiscal year 2017 and another employee during fiscal year 2018 had the ability to execute the entire procurement process without subsequent approval by a supervisor. Granting such access increases the risk of fraud and error. Although manual controls have been established outside of the system and no errors or fraud were identified as a result of the inappropriate access, the ability to execute the entire procurement process should not be granted to the same employee.
- During fiscal year 2017, accounting periods 1 through 10 were closed from 94 to 367 days after month-end. As of April 17, 2018, accounting periods 1, 4, and 5 of fiscal year 2018 were closed 113 to 146 days after month-end. Failure to close accounting periods timely increases the risk for inappropriate posting of accounting entries to noncurrent periods.
- Three (15%) of 20 manual journals entered into the system were prepared and approved by the same employee. Failure to have supervisory approval for journal entries could result in misstated or unreliable financial data and undetected errors or fraud.
- Two employees during fiscal years 2017 and 2018 had the ability to create and edit course level fees within the Banner student system without a business need.

College management represented that the inadequate controls resulted from turnover in key accounting personnel, a lack of established procedures to close accounting periods timely, and a lack of monitoring of system access.

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 accounting periods timely, approve manual journals, and monitor and restrict employees' access to those job functions necessary for their job duties. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Inadequate Controls over Federal Contract

The College did not maintain adequate controls over its federal contract with the United States Department of Labor for the Apprenticeship USA Expansion and Innovation Grants, CFDA 17.285, increasing the risk of noncompliance with contract requirements.

In a review of eight expenses reimbursed by the grant totaling \$125,177, the following deficiencies were noted:

- The College could not provide adequate support for six (75%) of eight expenses reviewed, totaling \$118,525. Payments to five vendors totaling \$83,725 were not

supported by a contract and \$34,800 in reimbursements for general administrative expenses did not have support indicating how the amount was calculated to support the reimbursement request.

- Two expenses (25%) totaling \$16,800 were not paid by the College prior to requesting and receiving reimbursement.
- One expense (13%) totaling \$13,545 did not have evidence of approval. Per College personnel, verbal approval was received by the College's Interim Director.
- One expense (13%) totaling \$4,800 did not have proper approval. The time and effort form for the Project Director was not authorized by another College representative.

Management attributed the deficiencies to the lack of experience and personnel changes in the administration of the federal contract. Management should ensure that adequate records are maintained, including appropriate approvals, and that expenses are incurred prior to the request for reimbursement by the federal government. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

Cash

The College maintains three bank accounts. The cash balance at June 30, 2017, per the College's Annual Fiscal Report was \$3,158,003. We obtained an understanding of the College's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements and bank reconciliations for the months of July 2016 through March 2018. Based on the results of our procedures, we determined that the College did not have adequate controls over bank reconciliations (see Current-report Findings section).

Student Receivables

We obtained an understanding of controls over the collection of past-due student accounts. We performed procedures to determine if the College has policies and procedures in place for the collection of past-due student accounts by timely notifying the students and transferring delinquent accounts to the DOJ. Based on the results of these procedures, the College did not make timely efforts to collect on past-due student accounts generated from the Fall 2015 semester to the Fall 2017 semester, with unpaid balances totaling approximately \$151,048 at June 30, 2017 (see Current-report Findings section).

Student Tuition and Fee Revenues

We obtained an understanding of controls over student tuition and fee revenues, which made up approximately 24% and 27% of the College's revenue collections in fiscal years 2017 and 2018, respectively. We performed procedures on selected transactions to determine if the College was properly assessing and refunding certain student tuition and fee revenues. We also performed procedures to determine that student tuition and fee revenues received were accurately recorded and correctly posted to students' accounts. Based on the results of our procedures, the College maintained adequate controls over the assessment and refunding of student tuition and fees.

Payroll Expenses

Salaries and related benefits comprise approximately 65% and 44% of expenses in fiscal years 2017 and 2018, respectively. The College had approximately 145 employees as of June 2017. As a result of the campus realignments, as of June 2018, the College had approximately 62 employees. We obtained an understanding of the College's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, the College had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Federal Contract

The College was awarded a \$2.7 million contract with the United States Department of Labor for the Apprenticeship USA Expansion and Innovation Grants, CFDA 17.285, to act as an intermediary to expand apprenticeship opportunities in the Transportation and Logistics Sector. We obtained an understanding of the College's controls over this federal contract. We tested selected transactions and examined support to ensure proper approvals and requests for reimbursements. Based on the results of these procedures, the College did not maintain adequate controls over this federal contract (see Current-report Findings section).

Information Technology

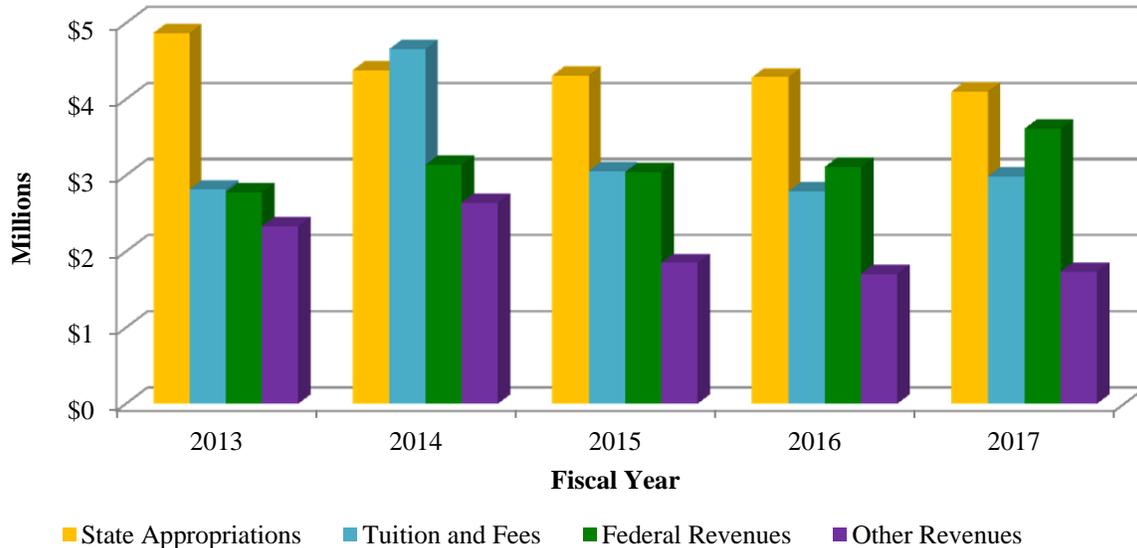
We obtained an understanding of controls as it relates to the College's Banner Enterprise Resource Planning system, which processes transactions and maintains data related to student records and registration, financial aid, human resources, payroll, and financial operations. We performed procedures to determine if the College maintained proper segregation of duties within the system and closed accounting periods timely. We also performed procedures to determine if manual journals entered into the system were approved and supported. Based upon the results of our procedures, the College did not maintain adequate control over its system (see Current-report Findings section).

Trend Analysis

We compared the most current and prior-year financial activity using the College’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from the College management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment for fiscal years 2013 through 2017.

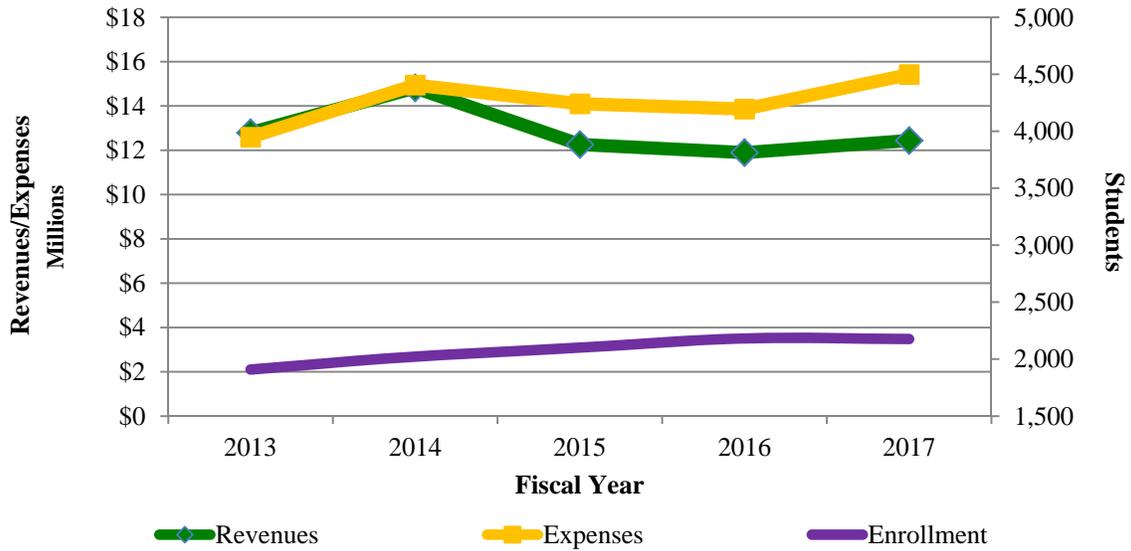
In analyzing financial trends of the College, we found that since fiscal year 2013 state appropriations have decreased approximately 16% because of a decreasing statewide budget. Expenses have increased by 22%, and federal revenues increased by 30% due to the contract with the United States Department of Labor for the Apprenticeship USA Expansion and Innovation Grants, CFDA 17.285, during fiscal year 2017.

Exhibit 1
Five-Year Revenue Trend



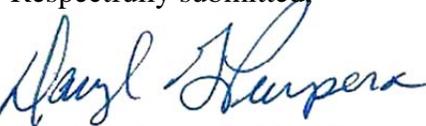
Source: College Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: College Annual Fiscal Reports, as adjusted, and Louisiana Board of Regents

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

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

MT:CLL:BQD:EFS:aa

SCLTC 2018

APPENDIX A: MANAGEMENT'S RESPONSES



July 9, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls Over Bank Reconciliations

Dear Mr. Purpera:

South Central Louisiana Technical College (SCLTC) concurs with the reportable audit finding of Inadequate Controls Over Bank Reconciliations.

SCLTC reconciliations will be reconciled by month with appropriate authorizations documented.

As of July 1, 2018, SCLTC will be part of South Louisiana Community College (SLCC) who will oversee the final SCLTC reconciliations.

If you have any questions, please contact Bryan Glatter, Vice Chancellor for Administration and Finance at 337-521-8994 or bryan.glatter@solacc.edu.

Sincerely,





ADMINISTRATIVE OFFICE

Willie E. Smith, Ed.D, Interim Director

900 Youngs Road
P.O. Drawer 2148
Morgan City, LA 70381
Phone (985) 380-2957
Fax (985) 380-2440

June 21, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Collection Procedures over Delinquent Student Accounts

Dear Mr. Purpera:

South Central Louisiana Technical College (SCLTC) concurs with the reportable audit finding of Inadequate Collection Procedures over Delinquent Student Accounts.

In the instances noted, the college transferred its delinquent student accounts to the Louisiana Department of Justice Collections Section more than 60 days after the end of the semester.

As of July 1, 2018, SCLTC will be part of South Louisiana Community College (SLCC) and will follow the processes of SLCC. SCLTC will not be providing any additional classes.

If you have any questions, please contact Bryan Glatter, Vice Chancellor for Administration and Finance at 337-521-8994 or bryan.glatter@solacc.edu.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Smith', with a horizontal line extending to the right.

Willie E. Smith, Ed.D
Interim Director

Young Memorial – Morgan City
River Parishes – Reserve
Lafourche Campus – Thibodaux





July 9, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over the Banner System

Dear Mr. Purpera:

South Central Louisiana Technical College (SCLTC) concurs with the reportable audit finding of Inadequate Controls over the Banner System.

As of July 1, 2018, SCLTC will cease to exist and South Louisiana Community College (SLCC) will assume operations at the Young Memorial location, River Parishes Community College (RPCC) at the Reserve location and Fletcher Technical Community College at the Thibodaux location. Monitoring and providing access to Banner will follow the processes of the receiving colleges.

If you have any questions, please contact Bryan Glatter, Vice Chancellor for Administration and Finance at 337-521-8994 or bryan.glatter@solacc.edu.

Sincerely,





August 28, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over Federal Contract

Dear Mr. Purpera:

South Central Louisiana Technical College (SCLTC) concurs with the reportable audit finding of Inadequate Controls over the Federal Contract with the United States Department of Labor for the Apprenticeship USA Expansion and Innovation Grants.

As of July 1, 2018, the federal grant transitioned to the South Louisiana Community College who will oversee and adjust the processes to follow established grant procedures. These processes include ensuring adequate records are maintained, including appropriate approvals, and that expenses are incurred prior to the request for reimbursement by the federal government.

If you have any questions, please contact Bryan Glatter, Vice Chancellor for Administration and Finance at 337-521-8994 or bryan.glatter@solacc.edu.

Sincerely,



APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the South Central Louisiana Technical College (College) for the period from July 1, 2016, through June 30, 2018. Our objective was to evaluate certain controls the College uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the College's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The College's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

- We evaluated the College'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 the College.
- Based on the documentation of the College's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, student receivables, student tuition and fee revenues, payroll expenses, federal contract with the United States Department of Labor for the Apprenticeship USA Expansion and Innovation Grants (CFDA 17.285), and information technology.
- We compared the most current and prior-year financial activity using the College's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the College's 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 the College and not to provide an opinion on the effectiveness of the College'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.