

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE
SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 26, 2019

**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

L.E. Fletcher Technical Community College



December 2019

Audit Control # 80190039

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) for the fiscal year ended June 30, 2019, we performed procedures at L.E. Fletcher Technical Community College (College) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of the College's internal controls over financial reporting and compliance; and determine whether the College complied with applicable laws and regulations. We also performed procedures for the period July 1, 2017, through June 30, 2018, to evaluate certain internal controls the College uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-report Findings

Our auditors reviewed the status of the prior-year findings reported in the College's procedural report dated August 16, 2017. We determined that management has resolved the prior-report findings related to Inadequate Controls over the File Sharing System and Failure to Submit Past-due Student Accounts for Collection.

Current-year Finding

Failure to Make Proper Notification of Misappropriated Assets

The College failed to notify the Louisiana Legislative Auditor and the parish district attorney of misappropriation of assets in the amount of \$18,814 during fiscal year 2018 as required by Louisiana Revised Statute 24:523.

During the Spring semester of 2018, the College discovered a scheme in which an individual, not affiliated with the College, created five fraudulent student accounts using stolen identities. These five fraudulent students were enrolled at the College and applied for federal financial aid. Federal aid in the amount of \$18,814 was disbursed to the College, of which \$14,286 was

refunded to the individual for two of the fraudulent students. The College is responsible for paying all funds back to the U. S. Department of Education.

Although management identified the fraud and initiated corrective action, the College failed to make the proper notifications as required by state law. Failure to immediately report misappropriations of assets impairs a timely response to control weaknesses by the auditor and could delay the potential prosecution of the guilty parties. In addition, failure to make proper notifications places the College in noncompliance with state law.

College management should immediately report any misappropriation of public funds or assets of the College, in writing, to the legislative auditor and the district attorney in accordance with state law. Management partially concurred with the finding and stated that in the future it will make the proper notifications when potential fraudulent activity occurs regarding federal financial aid (see Appendix A).

Financial Statements – Louisiana Community and Technical College System

As a part of our audit of the System's financial statements for the year ended June 30, 2019, we considered the College's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Liabilities - Accounts Payable and Accruals

Net Position - Net Investment in Capital Assets, Restricted Nonexpendable, Restricted Expendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Expenses - Education and General

The account balances and classes of transactions tested, as adjusted, are materially correct.

Other Procedures

In addition to the System procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing the College's internal control and compliance with related laws and regulations over cash and student tuition and fee revenues.

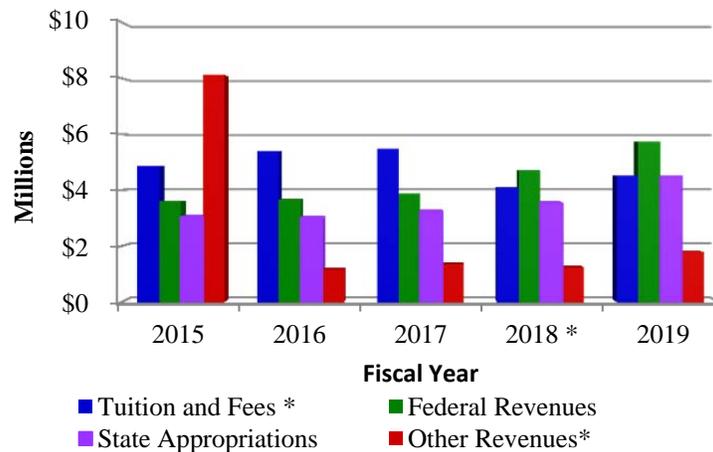
Based on the results of these procedures performed, we did not report any findings.

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’s management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

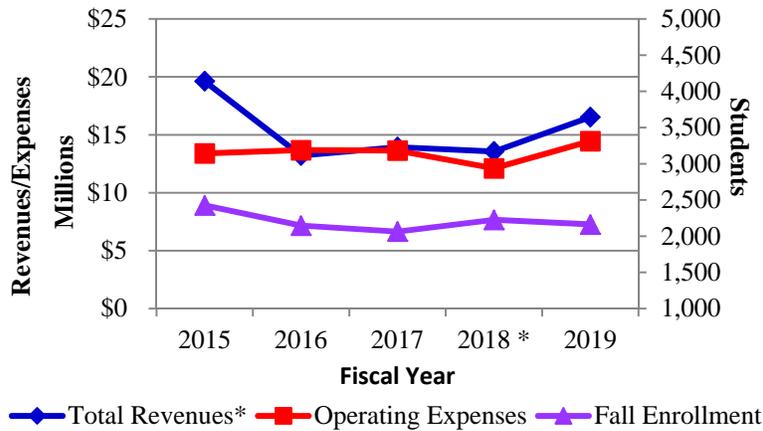
In analyzing financial trends of the College over the past five fiscal years, we determined that total revenues and operating expenses increased between fiscal years 2018 and 2019. These increases are mainly attributed to the realignment of the Lafourche and Galliano Service Centers campuses from the South Central Louisiana Technical College. The realignment of these campuses to Fletcher took effect July 1, 2018. The increase in other revenues in fiscal year 2015 was due to capital appropriations and capital gifts and grants received for construction of the BP Integrated Production Technologies Building and the Marine Petroleum Safety Training Center. Enrollment remained relatively consistent between years.

**Exhibit 1
Five-Year Revenue Trend**



Source: College Annual Fiscal Reports (2018 amounts have been restated)

**Exhibit 2
Fiscal/Enrollment Trends**



Source: College Annual Fiscal Reports (2018 amounts have been restated) and Louisiana Board of Regents website

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of the College. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the College should be considered in reaching decisions on courses of action. The finding related to the College’s compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

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FTCC2019

APPENDIX A: MANAGEMENT'S RESPONSE



1407 Highway 311 • Schriever, LA 70395
Phone: 985-448-7900 • Fax: 985-446-3308 • www.fletcher.edu

June 5, 2019

Daryl G. Purpera, CPA, CFE, Legislative Auditor
Office of the Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Purpera:

In regards to your request for an official response to the audit finding entitled *Failure to Make Proper Notification of Misappropriated Assets*, we partially concur. In January 2018, personnel at Fletcher Technical Community College identified potential fraudulent behavior by an applicant for federal financial aid. The College researched the actions by the individual, in conjunction with the Louisiana Community and Technical College System staff and determined that potentially fraudulent activity had occurred. As directed during federally offered trainings on handling potential federal financial aid fraud, the College contacted the Federal Office of the Inspector General. The College was advised to take no further action during the investigation into the matter. During the course of the investigation, the College kept in contact with and fully cooperated with the ongoing investigation. The College was advised that the individual would be brought to trial for the alleged fraud. Again, when the College asked we were advised to take no further action. The College specifically requested written direction on return of funds to the federal government. On April 23, 2019, the College was advised to return any funds still in possession of the College, which it did for loans on May 8, 2019 and Pell funds on May 17, 2019.

Fletcher Technical Community College and the Louisiana Community and Technical College has since had numerous discussions with both the Federal Office of the Inspector General and the Department of Education regarding this matter and required reporting. Although we had previously requested written direction from these parties, only on Monday, June 3, 2019 did we receive written notification that there would be no conflict regarding a pending federal investigation in reporting to the Louisiana Legislative Auditor and the District Attorney's offices. In addition, the Office of the Inspector General requested that they be notified if these two agencies are alerted so that they may coordinate investigative procedures.

Given, that the College acted in good faith, following the initial instructions of the Federal Office of the Inspector General and the Department of Education to take no further action after reporting potentially fraudulent behavior we partially concur with the finding.

**SCHRIEVER CAMPUS
(MAIN CAMPUS)**
1407 Hwy. 311
Schriever, LA 70395

THIBODAUX FACILITY
1425 Tiger Drive
Thibodaux, LA 70301

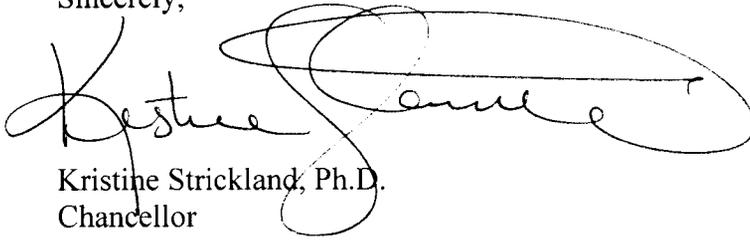
HOUMA FACILITY
310 St. Charles Street
Houma, LA 70360

Member of the Louisiana Community & Technical College System
AN EQUAL OPPORTUNITY EMPLOYER

In the future, Fletcher Technical Community College will notify the Federal Office of the Inspector General, the Department of Education, the Louisiana Legislative Auditor, and the District Attorney, when potential fraudulent behavior occurs regarding federal financial aid.

Thank you for providing an opportunity to respond to the audit finding. Please feel free to contact Mr. Andrew Boyne at Andrew.boyne@fletcher.edu, or (985) 448-7928, should you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kristine Strickland". The signature is written in black ink and is positioned above the printed name and title.

Kristine Strickland, Ph.D.
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the L.E. Fletcher Technical Community College (College) for the period from July 1, 2018, through June 30, 2019, to provide assurances on financial information significant to the Louisiana Community and Technical College System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements for the year ended June 30, 2019.

In addition, we conducted certain procedures at the College for the period from July 1, 2017, 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 these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

- 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 to provide assurances on certain account balances and classes of transactions to support our opinion on the System's financial statements.
- 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 significant variances.

In addition, we performed procedures on cash and student tuition and fees revenue for the period July 1, 2017, through June 30, 2019. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The 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 purposes.

We did not audit or review the College's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. The College's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.