

CENTRAL LOUISIANA TECHNICAL COMMUNITY COLLEGE

LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JULY 10, 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

Central Louisiana Technical Community College



July 2019

Audit Control # 80190010

Introduction

The primary purpose of our procedures at Central Louisiana Technical College (CLTCC) was to evaluate certain controls CLTCC 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 action to correct the findings reported in the prior report.

Results of Our Procedures

We evaluated CLTCC'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 CLTCC'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, travel card expenses, Fueltrac card expenses, contract expenses, payroll expenses, and information technology.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in CLTCC's procedural report dated August 9, 2017. We determined that management has resolved the prior-report findings related to Inappropriate System Access, Inadequate Cash Controls, Inadequate Controls over Travel Expenses, and Inadequate Controls over FISAP Reporting. The prior-report findings related to Inadequate Controls over Student Receivables and Inadequate Controls over Contracts have not been resolved and are addressed again in this report.

Current-report Findings

Inadequate Controls over Student Receivables

For the second consecutive engagement, CLTCC did not have adequate controls over student receivables, thereby increasing the risk that delinquent accounts will become uncollectible and thus weakening CLTCC's funding of ongoing operations.

Based on our procedures, we identified the following:

- CLTCC did not transfer all delinquent student accounts to the Louisiana Office of Debt Recovery (ODR) as required by its agreement with ODR. CLTCC has an agreement with ODR to perform further collection activities on behalf of the college; the agreement requires that CLTCC transfer accounts to ODR within 60 days of them becoming delinquent. As of May 24, 2019, CLTCC had not transferred outstanding student account balances having unpaid charges totaling \$168,950 that incurred from fiscal year 2009 to fiscal year 2015.
- CLTCC did not write off any delinquent accounts in fiscal year 2018, as required by the System's write-off policy. We identified \$1,055,474 in student and third-party outstanding debt that was more than two-years old and should have been written off per the System's policy.
- CLTCC does not have procedures for reconciling its student receivables balance between the Banner Student Module and the Banner Finance Module. We found that the general ledger trial balance was \$70,385 less than the amount reflected in the detail accounts receivable records as of June 30, 2018.

Good internal controls require that delinquent accounts are transferred for further collections, account balances are written off in accordance with policy, and student receivables detail records are reconciled to the general ledger periodically.

Management should establish and implement formal written policies and procedures for student receivables, and monitor its employees and hold them accountable to comply with those policies and procedures. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Inadequate Controls over Contracts

For the second consecutive engagement, CLTCC does not have adequate controls over its contracts to ensure that contract terms are adhered to. As a result, there is a risk that unnecessary services could be performed and unnecessary costs could be incurred by the CLTCC. Our procedures disclosed the following during fiscal years 2018 and 2019:

- CLTCC paid invoices totaling \$10,450 relating to three contracts for lawn care service and Occupational Safety and Health Administration certification training

that were not approved for payment by the chancellor, as required by the contract terms.

- CLTCC did not provide written evidence of monitoring or performance evaluations of the lawn care services provided at its various campus locations, as required by the contract terms.
- CLTCC did not obtain approval from either the System's president or the System board for two contracts involving custodial and lawn care services each totaling more than \$50,000 for the fiscal years 2018 and 2019, as required by System policy.
- CLTCC did not include four contracts totaling between \$2,000 and \$20,000 in its quarterly reports to the System during fiscal years 2018 and 2019, as required by System policy.

Good internal controls require that payments be made and monitoring documented in accordance with the terms of the contracts, and contracts are submitted and approved in accordance with System policies. CLTCC has no written procedures for processing contracts, including submitting required contracts to the System or System board, routing contractor's invoices to the proper CLTCC official for approval before processing the payment, or monitoring a contractor's progress/performance.

CLTCC should design and implement written policies and procedures for contracts to ensure that all contract terms and System policies are adhered to. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2.)

Failure to Report Misappropriations

During fiscal years 2018 and 2019, CLTCC failed to notify the Louisiana Legislative Auditor (LLA) and the Rapides Parish District Attorney (DA) in writing, as required by state law, or the System's Director of Internal Audit, as required by System policy, about its knowledge of misappropriations involving two CLTCC employees who were improperly paid \$814. The misappropriations were identified through CLTCC in-house investigations, and both employees were terminated. Funds totaling \$140 were recouped from one employee.

Neither the chancellor nor members of his management team considered these payroll instances to be the type of misappropriation that would require submitting written notice to the LLA and DA. As a result, CLTCC did not comply with state law or System policy. On March 28, 2019, the System's Director of Internal Audit notified the LLA and DA.

CLTCC management should update its policies and procedures and communicate such to employees to ensure that there is a clear line of responsibility for the timely reporting of all misappropriations of public funds or assets to the System's Director of Internal Audit and the LLA and DA. In addition, management should make all efforts to recoup the remaining funds. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Weakness in Controls over Fuel Cards

CLTCC did not timely deactivate personal identification numbers associated with fuel cards (Fueltrac) for employees who were no longer employed at CLTCC, increasing the risk of unauthorized use.

Our review of 23 Fueltrac card owners disclosed that 15 (65%) card owners were separated from CLTCC without having their access deactivated timely. CLTCC removed access for 13 of the 15 card owners one day to 71 days (averaging 19 days) after separation of employment from CLTCC. The remaining two card owners' accesses were not removed until auditors brought the instances to management's attention, which were 73 and 241 days after separation of employment. We found no instances where the access was used by the employees after their termination dates.

Although CLTCC has controls in place to limit physical access to fuel cards, CLTCC should implement policies and procedures to deactivate personal identification numbers associated with these cards immediately upon an employee's termination of employment. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

Cash

CLTCC maintains an operating account, which is used for general operations, and a federal account for depositing federal program funds. The cash balance at June 30, 2018, per CLTCC's Annual Fiscal Report, was \$1,425,857. We obtained an understanding of CLTCC's controls over bank accounts, evaluated the segregation of duties, reviewed bank statements, and examined bank reconciliations for the months July 2017 through March 2019. Based on the results of our procedures, CLTCC had adequate controls in place to ensure timely preparation, review, and approval of bank reconciliations.

Student Receivables

We obtained an understanding of CLTCC's policies and procedures relating to billing for tuition and fees, collections, delinquent accounts, write-offs, and reconciling its receivable balances. We reviewed the Memorandums of Understanding with local high school authorities and the Rapides Parish Workforce Development agreements with local parish offices for billing terms. We examined the dual enrollment and Workforce Investment Act tuition and fee billings for the Fall 2018 semester; and the records of receipts as of March 1, 2019.

We also reviewed the aged receivables report, as of February 4, 2019, for students having outstanding balances accumulated for more than one semester; inquired of college personnel; and examined documentation supporting the reasons for the accumulated balances. CLTCC has a five-year agreement with the ODR for debt collection effective as of January 7, 2016. We reviewed a listing of the dates and the semesters that delinquent accounts were submitted to ODR during fiscal years 2018 and 2019, as of January 7, 2019, to determine whether accounts

were transferred as per the ODR agreement. In addition, we reviewed the allowance for doubtful account calculation and inquired whether any accounts were written off for the fiscal year ended June 30, 2018. Based on the results of our procedures, we found CLTCC did not have adequate controls over student accounts receivable regarding delinquent accounts, write offs, or reconciling receivable balances (see Current-report Findings section).

Travel Card Expenses

CLTCC uses the controlled billed account (CBA) to purchase airfare, lodging, registration fees, and vehicle rental. We obtained an understanding of CLTCC's policies and procedures relating to travel activities; and reviewed the training certifications for each CBA holder, the approver, and the CBA administrator, as of February 12, 2019. We reviewed a listing of CBA transactions for the period July 1, 2017, through January 4, 2019; selected transactions; and examined travel request authorizations, expense reimbursement request forms, and receipts relating to lodging, registration fees, and van rental. Based on the results of our procedures, no exceptions were identified.

Fueltrac Card Expenses

CLTCC participates in the state of Louisiana's Fueltrac card program and uses fuel cards to purchase fuel and auto maintenance for its vehicles. We inquired of staff to obtain an understanding of CLTCC's policies and procedures relating to fuel card activities. We reviewed a listing of employees having access to fuel cards who terminated their employment at CLTCC during the period July 1, 2017, through January 14, 2019. We compared the date of termination for each employee per the human resources records to the date access was removed in the Fueltrac system. We also reviewed a listing of fuel card purchase transactions made during the two fiscal years ending June 30, 2019, as of January 22, 2019. While no transactions were noted for an employee after termination of employment from CLTCC, we found access was not removed timely (see Current-report Findings section).

Contract Expenses

We obtained an understanding of CLTCC's policies and procedures relating to contract expenses. We reviewed listings of the contracts in effect for the two fiscal years ending June 30, 2019, as of April 9, 2019. We selected and examined eight contracts for lawn services, custodial services, certification training, and sign language interpretation. We obtained and agreed listings of payments to the contract terms, examined selected invoices, reviewed evidence of monitoring and performance evaluations, and evaluated compliance with laws, regulations, and System's policies. Based on the results of our procedures, we found CLTCC did not have adequate controls over contracts (see Current-report Findings section).

Payroll Expenses

Salaries and related benefits comprised approximately 67% of CLTCC's expenses in fiscal year 2018. We obtained an understanding of CLTCC's controls over pay rate changes and time and leave approval. For selected employees having pay rate changes during the fiscal years 2018 and 2019 as of February 2019, we agreed the pay rates to proper authorizations. We reviewed listings of employees' salaries and wages for the period July 1, 2017, through March 10, 2019. We examined selected employees' personnel files, and time and leave records, and payments for pay periods ending February 25, 2018, July 15, 2018, July 29, 2018, December 2, 2018, December 30, 2018, February 24, 2019, and March 10, 2019. Based on the results of our procedures, CLTCC had adequate controls in place to ensure timely review and approval of employee time and leave records, and that employees were paid the amounts authorized, except as noted in the Current-report Findings section.

Information Technology

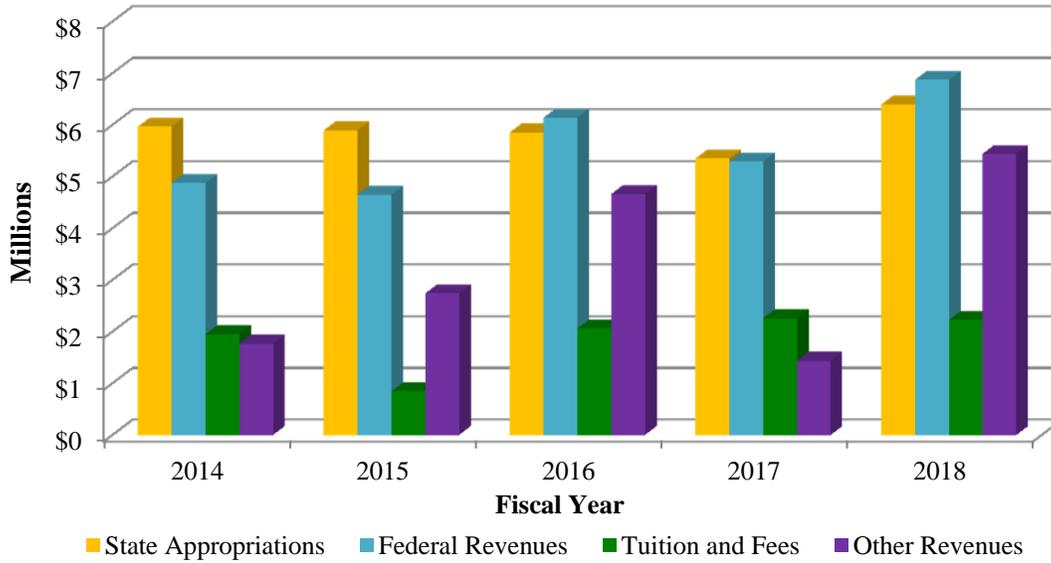
CLTCC uses the Banner system for general ledger data and financial statement preparation. We performed procedures to determine whether information system access was restricted to business need only and adequately segregated. We also reviewed tuition and fee charges for 10 students to determine that the rates charged in the Banner system agreed to CLTCC's authorized fee schedule. In addition, we agreed the tuition refund table data in the Banner system to CLTCC's published refund percentages. Based on the results of our procedures, no exceptions were identified.

Trend Analysis

We compared the most current and prior-year financial activity using CLTCC's Annual Fiscal Reports and obtained explanations from CLTCC management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years as shown in Exhibit 1 and 2.

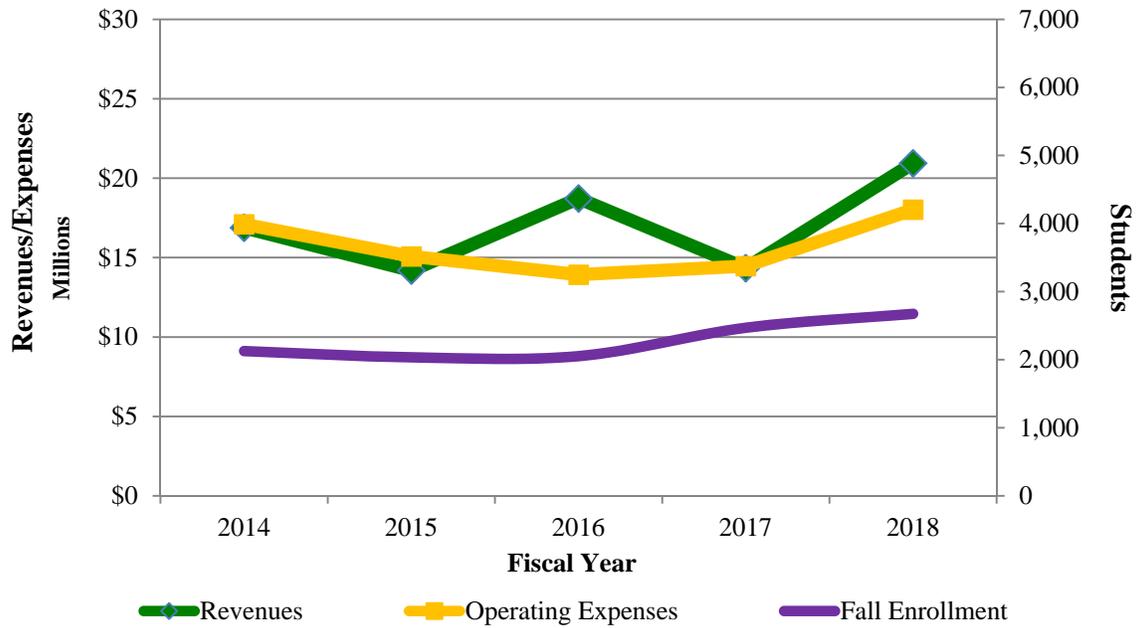
In analyzing financial trends of CLTCC over the past five years, expenses were in line with revenues until fiscal year (FY) 2016, when federal and other revenues increased significantly mainly due to a \$2.6 million land donation to construct a new Alexandria site and \$2.6 million of Trade Adjustment Assistance Community College and Career Training federal grant funds received. Tuition and fee rates also increased in FY 2016. In FY 2018, there was an increase in revenues, expenses, and enrollment due to the transfer of operations of two campuses, Natchitoches and Many, from the Northwest Louisiana Technical College to CLTCC. Scholarship allowances have increased in line with tuition and fees revenues, as a result net tuition and fees revenues have remained fairly constant.

Exhibit 1 Five-Year Revenue Trend



Source: CLTCC and System Audit Reports

Exhibit 2 Fiscal/Enrollment Trends



Source: CLTCC and System Audit Reports and Board of Regents enrollment data

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KVL:BAC:BH:EFS:aa

CLTCC 2019

APPENDIX A: MANAGEMENT'S RESPONSES



Where Your Future Is Waiting

June 13, 2019

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

Re: Inadequate Controls over Student Receivables

Dear Mr. Purpera,

Central Louisiana Community Technical College (CLTCC) concurs with the finding related to "Inadequate Controls over Student Receivables". However, the college has continued to improve on student collections via working with Office of Debt Recovery, turning over \$1,569,158.95, and will write off student accounts deemed uncollectable and implement a reconciliation process with the newly hired Accounts Receivable coordinator.

- CLTCC has transferred over the majority of the outstanding debt from prior terms and continues to review all student accounts. All student accounts from prior terms have been included at 100% in Allowance for Uncollectable and will be turned over to ODR or written off.
CLTCC did not write off delinquent accounts as all accounts were under review to be turned over to ODR. As we continue to review delinquent accounts, write offs will be posted.
CLTCC will create a reconciliation process utilizing best practices.

The college will continue to improve on internal controls related to student receivables. If you have any questions, please contact Joseph Borne, Vice Chancellor of Finance and Administration, at (318) 487-5443 ext. 1161 or josephborne1@cltcc.edu.

Sincerely,

James R. "Jimmy" Sawtelle, III
Chancellor

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Where Your Future Is Waiting

June 13, 2019

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

Re: Inadequate Controls over Contracts

Dear Mr. Purpera,

Central Louisiana Community Technical College (CLTCC) concurs with the finding related to "Inadequate Controls over contracts". However, the college has confirmed the contract objectives were met and no unnecessary costs were incurred.

- CLTCC paid invoices totaling \$10,450 relating to three contracts for lawn care and OSHA certification training that were not approved for payment by the chancellor as required by the contract terms. Terms have been updated going forward to represent the department head overseeing the contract or their designee. All invoices were correct and work was completed.
CLTCC did not provide written evidence of monitoring or performance evaluation of the lawn care services provided. CLTCC did provide daily monitoring by campus administration but did not document this monitoring. Terms will be updated to state that lawn care services will be monitored on a daily basis by campus administration and any exceptions or lack of services according to the contract will be documented.
CLTCC did not obtain System office or Board approval for custodial and lawn care service contracts over \$50,000. CLTCC did follow the La State Procurement process and did a 21 day closed bid process for this service prior to awarding contract per La State Procurement Code. Going forward all contracts will be approved according to LCTCS policy.
CLTCC did not include four contracts between \$2,000 and \$19,999.99 on the quarterly report. CLTCC recognizes the importance of reporting all contracts and has implemented a tracking system utilized as a best practice of maintaining a master list of all contracts.

The college will continue to improve on the internal controls related to contract procedures. If you have any questions, please contact Joseph Borne, Vice Chancellor of Finance and Administration, at (318) 487-5443 ext. 1161 or josephborne1@cltcc.edu.

Sincerely,

James R. "Jimmy" Sawtelle, III
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Where Your Future Is Waiting

April 15, 2019

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

Re: Failure to Report Misappropriations

Dear Mr. Purpera,

Central Louisiana Community Technical College (CLTCC) concurs with the finding related to "Failure to Report Misappropriations". However, the college takes very seriously all matters pertaining to the misappropriation of assets and recognizes that it did not timely inform the LCTCS internal audit department and did not report to external agencies as the college immediately initiated the recoupment process for the incorrect payments made to two employees who were then also terminated. The college received guidance from civil service and legal counsel throughout this process. This decision for no further warranted action was based on Louisiana Revised Statute 24:523 (C.) which highlights the collection efforts for misappropriated assets by the Legislative Auditor and local District Attorney's Office.

With that said, in the future the college will report any future misappropriation of assets to all statutorily required external agencies regardless of whether the process is initiated to recoup asset. If you have any questions, please contact Joseph Borne, Vice Chancellor of Finance and Administration, at (318) 487-5443 ext. 1161 or josephborne1@cltcc.edu.

Sincerely,

James R. "Jimmy" Sawtelle, III
Chancellor

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Where Your Future Is Waiting

March 25, 2019

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

Re: Weakness in Controls over Fuel Cards

Dear Mr. Purpera,

Central Louisiana Community Technical College (CLTCC) concurs with the finding related to "Weakness in Controls over Fuel Cards". CLTCC's management recognizes its responsibility to deactivate personal identification numbers associated with fuel cards (FuelTrac) for employees no longer employed at the college. CLTCC has implemented the following internal controls to prevent reoccurrences of this finding:

- Human Resources will notify the FuelTrac Administrator (Director of Accounting) of all termination via email. Once the FuelTrac Administrator is notified, the driver will be deactivated immediately or within a timely manner, i.e. next business day. This practice has already been instated.

If you have any questions, please contact Joseph Borne, Vice Chancellor of Finance and Administration, at (318) 487-5443 ext. 1161 or josephborne1@cltcc.edu.

Sincerely,

James R. "Jimmy" Sawtelle, III
Chancellor

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APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Central Louisiana Technical Community College (CLTCC) for the period from July 1, 2017, through June 17, 2019. Our objective was to evaluate certain controls CLTCC 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 is 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 CLTCC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. CLTCC's accounts are an integral part of the Louisiana Community and Technical College System (System), a component unit of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

- We evaluated CLTCC'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 CLTCC.
- Based on the documentation of CLTCC'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, travel card expenses, Fueltrac card expenses, contract expenses, payroll expenses, and information technology.
- We compared the most current and prior-year financial activity using CLTCC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from CLTCC 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 CLTCC and not to provide an opinion on the effectiveness of CLTCC'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.