LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 19, 2018

LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE

Louisiana Delta Community College

December 2018

Audit Control # 80180100

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) for the fiscal year ended June 30, 2018, we 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 compliance; and determine whether LDCC complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior report.

Results of Our Procedures

Follow-up on Prior-report Findings

Our auditors reviewed the status of the prior-report findings disclosed in the LDCC management letter dated November 16, 2016. We determined that management has resolved the prior-report finding related to Unauthorized Salary Payments. The prior-report findings related to Inadequate Collection Procedures over Delinquent Student Accounts and Inadequate Controls over Information Systems have not been resolved and are addressed again in this letter.

Current-report Findings

Inadequate Controls over Outstanding Student Account Balances

For the second consecutive audit, LDCC did not have adequate controls over outstanding student account balances, increasing the risk for these balances to continually increase and become uncollectible, which may impair LDCC's funding of ongoing operations. We found the following:

- LDCC allowed four students with outstanding balances from previous semesters to attend subsequent classes instead of purging them in accordance with LDCC's policy. These students owed $15,194 to LDCC as of June 30, 2018.

These students were allowed to enroll in the next semester while awaiting financial aid for the prior semester. Once it was determined that their financial aid was cancelled, the students' prior semester charges were placed back on their accounts, creating an outstanding balance. However, LDCC did not purge the students' current semester classes by established purge dates.

- LDCC has not sent notices to students with outstanding balances for more than eight years after unpaid balances were incurred by students. LDCC's policy requires notices of payment due be sent to students after outstanding balances are more than two years old, which LDCC considers delinquent.

- As of June 30, 2018, LDCC has not transferred to the Louisiana Office of Debt Recovery (ODR) any outstanding student account balances having unpaid charges incurred since the 2014 school year. LDCC has also not notified the students that accounts will be turned over to ODR as required in the agreement.

  LDCC has an agreement with ODR to perform further collection activities on behalf of LDCC. The agreement requires that LDCC send notices to students stating failure to pay within 60 days of becoming delinquent will result in the account being sent to ODR for collection efforts, and that LDCC transfer accounts to ODR within 60 days of them becoming delinquent.

- LDCC overstated the receivables balance reported in its Annual Fiscal Report by approximately $1.2 million, requiring an adjustment. LDCC included balances more than three years old accumulated in the Banner Student Module, which should have been written off and removed from the Banner Finance Module amounts per System and LDCC's policies.

Management should adhere to its existing policies, procedures, and agreement terms to ensure students with outstanding balances are purged by established dates; and all delinquent student accounts are transferred to ODR for further collections. Management should also strengthen its policy and procedures over billing practices to ensure timely billing notices are sent to students with delinquent balances. In addition, management should ensure amounts are written off properly. Management agreed in part to not purging students with outstanding prior semester balances and proposed to implement corrective action that will set deadlines on making final decisions on status of student aid awards. Management also agreed in part that it did not transfer outstanding balances incurred since the 2014 school year to ODR. However, management did not concur that notices have not been sent to students (see Appendix A, pages 1-3).

Additional Comments: Although management's response describes the process as it should happen, for the four students noted previously, determination of financial aid was made and aid removed from the students' accounts prior to the purge date. However, these students were not purged in accordance with LDCC's policy.

While LDCC's records reflect that notices were sent out in fiscal years 2017 and 2018 notifying students their outstanding debt will be turned over to ODR, these notices related to outstanding account balances that were delinquent from the period June 2009 through January 2014. These outstanding account balances totaled approximately $1.2 million and were reported as current receivables as of June 30, 2018. LDCC should establish an estimation of collectability to ensure student receivable balances are not overstated.

Accounts outstanding for periods after January 2014 have not been submitted to ODR and notices have not been sent to students.

Chancellor Waivers Not in Accordance with System Policy

LDCC granted approximately $177,000 of chancellor waivers to out-of-state students during the Spring 2018 and Summer 2018 semesters without developing procedures and criteria for the waiver, or documenting the reasons for granting waivers in students' financial aid files as required by System policy.

The chancellor represented that he had the authority to remove the non-resident fee from LDCC's fee table and did so to be competitive with nearby states, and would develop procedures as needed to document the criteria for the waiver. While colleges are authorized to provide chancellor tuition waivers, System policy requires that waivers be granted to a limited number of students; be given to students with extenuating circumstances that preclude them from obtaining other financial assistance; that the college develop a uniform process in applying the waiver; and that justification for granting the waiver be documented in the students' financial aid files.

LDCC management should develop and implement policies and procedures to ensure the provisions of the System's tuition discounts and waivers policy and guidelines are adhered to, and to minimize the loss of revenues. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

Inadequate Controls over Banner System

LDCC did not have adequate controls over its Banner accounting system, increasing the risk of errors or fraud in a system that processed $30.7 million in revenues and $27.8 million in expenses during fiscal year 2018.

Our procedures revealed the following deficiencies:

- For the second consecutive audit, LDCC has not adopted written policies and procedures for granting, monitoring, or terminating the access of employees. We found the following during the 2018 fiscal year:

    - Two employees had more than one user identification account to create requisitions.

    - Two Bossier Parish Community College employees had access to approved time sheets at LDCC without having a business need.

    - Three employees had access to receive cash and change students' account balances when access was not needed to perform their daily job duties.

    - System access for five employees who terminated during the fiscal year was not removed up to 15 days after separation of employment.

- LDCC did not accurately set up its student fee tables in Banner for online students. For certain courses, students were not charged the $7 per hour student services fee, and others were charged an extra $1 per hour for the student services fee. Also, online students taking more than 12 hours were overcharged for the operational, student technology, academic excellence, and building access fees, totaling approximately $59,000 for the fiscal year ended June 30, 2018.

- LDCC did not provide evidence that employees monitored reports to reconcile data between the Banner Student Accounts Receivable and the Banner Finance modules as of June 30, 2018.

Management should develop and implement written policies and procedures to ensure employee access is periodically monitored to ensure all access is appropriate for job duties, duplicate IDs do not exist, and access is disabled timely upon termination of employment or change in job function. In addition, management should periodically test fee table calculations and document reconciliations between system modules data. Management concurred with the portion of the finding relating to inaccurate student fee tables and proposed corrective action. Management agreed in part with the portions of the finding relating to inappropriate access by employees and lack of reconciliation evidence and proposed correction action (see Appendix A, pages 5-7).

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, 2018, we considered LDCC's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Receivables
Liabilities - Accounts Payable and Accrued Liabilities, and Unearned Revenues resulting from student tuition and fees
Net Position - Investment in Capital Assets, Restricted-Expendable, Restricted-Nonexpendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees net of Scholarship Allowances
Expenses - Educational and General

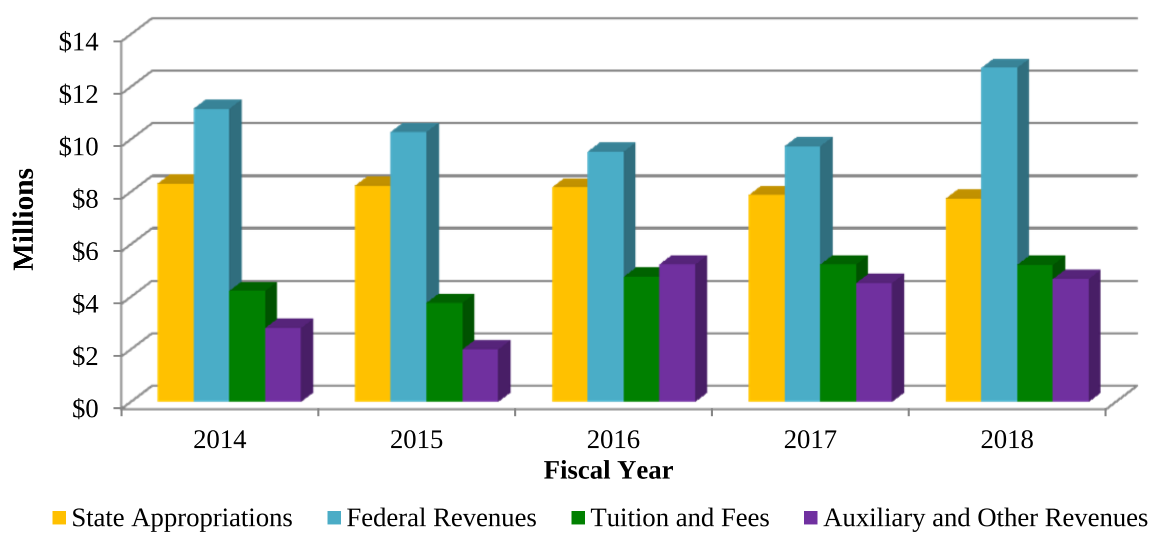
Based on the results of these procedures on the financial statements, we reported findings related to Inadequate Controls over Outstanding Student Account Balances, Chancellor Waivers Not in Accordance with System Policy, and Inadequate Controls over Banner System, as described previously. In addition, the account balances and classes of transactions tested are materially correct, as adjusted.

Trend Analysis

We compared the most current and prior-year financial activity using LDCC's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LDCC'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.

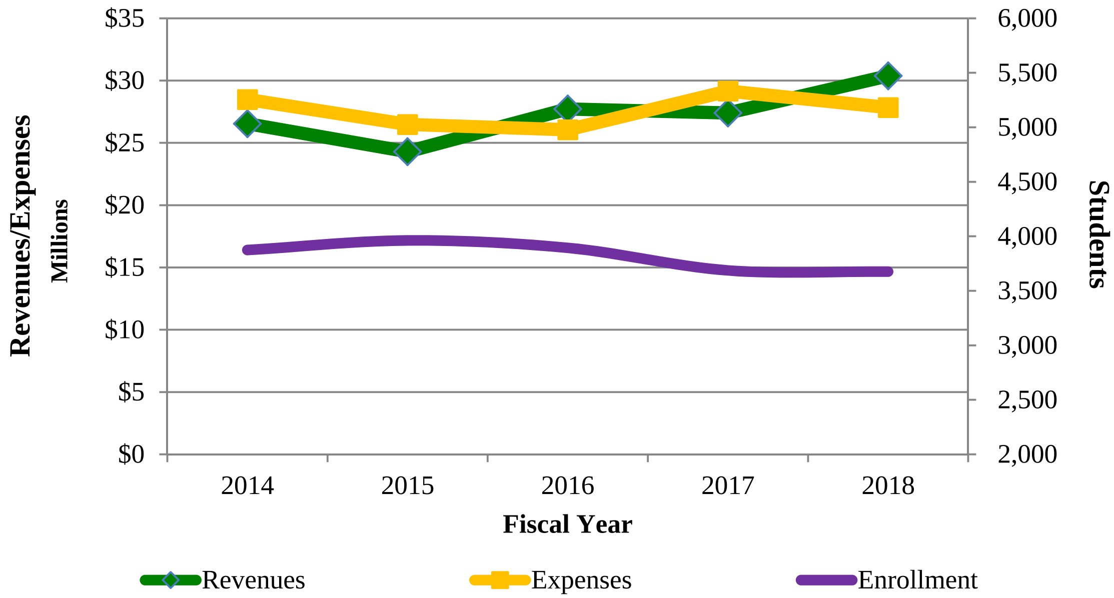
In analyzing financial trends of LDCC over the past five fiscal years, total revenues and expenses have fluctuated, and there has been a steady decrease in state appropriations. In fiscal year (FY) 2016, there was an increase in other revenues due to the private donation of land and buildings valued at more than $2 million for the establishment of a campus in Jonesboro and the relocation of the Winnsboro campus. In FY 2018, there was a significant increase in federal revenues due in part to an increase in the maximum Pell award amount, and students pursuing more credit hours while enrollment remained relatively constant. In addition, LDCC was selected as the new Louisiana Headquarters for the Small Business Development Center and received related federal grant funds.

Exhibit 1
Five-Year Revenue Trend



Source: FY 2014-2018 LDCC Annual Fiscal Reports, as adjusted

Exhibit 2
Fiscal/Enrollment Trends



Source: FY 2014-2018 LDCC Annual Fiscal Reports, as adjusted, and Board of Regents website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LDCC. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LDCC should be considered in reaching decisions on courses of action.

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

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KVL:BAC:BH:EFS:aa

LDCC2018

APPENDIX A: MANAGEMENT'S RESPONSES

LOUISIANA DELTA
COMMUNITY COLLEGE

OFFICE OF THE CHANCELLOR

October 22, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Mr. Purpera,
In response to your request to Louisiana Delta Community College, please note the following responses to the audit findings.

INADEQUATE CONTROLS OVER OUTSTANDING STUDENT ACCOUNT BALANCES

Finding #1:

Summary: For the second consecutive engagement, Louisiana Delta Community College does not have adequate controls over outstanding student account balances increasing the risk for these balances to continually increase and become uncollectible, which may impair the college's funding of ongoing operations.

College Response to Finding: Strongly Disagree as this is a gross mischaracterization. There is absolutely no indication that student receivables are rising beyond normal amounts. The detail accounts receivable report includes third party billings which fluctuate significantly depending upon the agency billed and the time of collection. Delta has submitted over $1.2 million in collection accounts to the Office of Debt Recovery. Of the accounts submitted, ODR currently holds $970,892 in collection accounts. Notices were mailed to students in FY17, FY18 and letters are scheduled to be sent out in early FY19. For the fiscal years ending June 30, 2017 and 2018, normal operations resulted in an increase of net position and cash reserves has risen from approximately $982,000 to approximately $3,969,446. There is no indication that student receivables has impaired the ability to meet ongoing expenses.

College proposed corrective action: None required.

Finding #1a:

Summary: The College allowed four students with outstanding balances from previous semesters to attend subsequent classes instead of purging them in accordance with college policy. These students owed $15,194 to the college as of June 30, 2018.

College Response to Finding: Agree in part. If a student qualifies for a Pell grant, the school is obligated by the US Dept of Education to make every effort to process the award. When a student applies for a Pell grant, an early determination of qualification is made by one of our financial aid employees. At that time, memo aid is posted to the student account which holds classes and protects the student from being purged. In many cases, the student must provide additional documentation in order for the final determination of award to be made. In some cases, this process will extend beyond the purge date. The process in place is working as expected. If the aid is removed leaving a balance, a finance hold is placed on the student's account. Unfortunately, Banner does not leave an audit trail of when memo aid is applied and withdrawn.

College proposed corrective action: The financial aid department needs to establish deadlines which will allow time for a final decision of award to be made timely.

Finding #1b:

Summary: The College has not sent notices to students with outstanding balances for over eight years after unpaid balances were incurred by students. College policy requires notices of payment due be sent to students after outstanding balances are over two years old, which the college considers delinquent.

College Response to Finding: Disagree. There was no specification of the amount past due for eight years. It is not known if the amount is significant. In 2013, Louisiana Delta Community College merged with the Region 8 Technical schools. There were seven locations which maintained receivable records in various forms including manual records, spread sheets, QuickBooks and a home grown software referred to as SES. These balances were imported programmatically into Banner. When past due receivables are submitted to the Office of Debt Recovery, the debtor has the opportunity to appeal the charges. In this situation, the Office of Debt Recovery will request proof of the debt owed. Therefore, a great deal of research has to be done before the debt is turned over for collection to be sure it is a valid debt. These balances were not an issue at the last audit.

College proposed corrective action: Old account balances will continue to be reviewed in order to determine the existence of documentation for proof of debt.

Finding #1c:

Summary: As of June 30, 2018, the college has not transferred to Louisiana Office of Debt Recovery any outstanding student account balances having unpaid charges incurred since the 2014 school year. The college has also not notified the students that accounts will be turned over to ODR as required in the agreement.

College Response to Finding: Agree in part. Delta has mailed 60 day and 30 day notices of intent to turn over for collection letters in fiscal years 17 and 18. We are scheduled to send another mail out in early FY19. These letters satisfy the requirement of the Office of Debt Recovery to initiate collection efforts. Accounts must be vetted to ensure the appropriate documentation supports the debt. Delta has submitted over $1.2 million in collection accounts to the Office of Debt Recovery. Of the accounts submitted, ODR currently holds $970,892 in collection accounts.

College proposed corrective action: Continue to mail notices of past due balances.

Inadequate Controls over Outstanding Student Account Balances

The College overstated the receivables balance reported in its Annual Fiscal Report by approximately $1.2 million requiring an adjustment. The college included balances over three years old accumulated in the Banner Student Module, which should have been written off and removed from the Banner Finance Module amounts per System and college policies.

College Response to Finding: Disagree. As per policy, Louisiana Delta Community College wrote off student receivables each fiscal year by reducing current revenues. Therefore, net position recognizes the write offs in total. The proposed adjustment entry would again reduce cumulative revenues and net position would be reduced again for the same write off. The cumulative effect from past fiscal periods recognizes the entire dollar value in the third party receivable named Office of Debt Recovery. The third party account named Office of Debt Recovery reflects all of the student accounts that was submitted for collection. This account is no different from any other third party receivable established for other governmental entities in which there is a legitimate expectation of recovering funds. Since our initial association with the Office of Debt Recovery, they have successfully collected over $200,000 in past due receivables. Therefore it is appropriate to establish a receivable from that governmental agency with the expectation of future payments.

College proposed corrective action: Louisiana Delta Community College will communicate with the Office of Debt Recovery to establish an estimate of collectability. When the Office of Debt Recovery deems an account uncollectable, the balance will be removed from receivables.

Sincerely,

W. Dennis Epps
Chancellor

LOUISIANA DELTA
COMMUNITY COLLEGE

OFFICE OF THE CHANCELLOR

August 14, 2018

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor

Re: Chancellor Waivers Not in Accordance with System Policy

Dear Mr. Purpera:

I am writing to assent that there is noncompliance with Louisiana Community Technical College System (LCTCS) Policy in regard to this finding.

I was under the belief that I had the authority to grant these tuition waivers in order to reciprocate with surrounding states that offer similar waivers to Louisiana students in order to attract talent to those respective states; to improve the economic development competitiveness of the Northeast Louisiana region; and to achieve college enrollment and resultant tuition income for the college that would not be attained if said waivers were not extended.

Corrective action planned will be to seek formal exemption from the LCTCS policy by means of policy revision. Should such exemption not be attained, the College will develop criteria for achieving compliance with the standing LCTCS policy. Such actions will be completed by no later than November 01, 2018. I will be responsible for all aspects of the corrective action.

Respectfully submitted,

W. Dennis Epps
Chancellor

Cc: Wendell Coplin

COURAGE. ATTITUDE. KNOWLEDGE.

318-345-9262
7500 MILLHAVEN ROAD
MONROE, LA 71203

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LOUISIANA DELTA
COMMUNITY COLLEGE

OFFICE OF THE CHANCELLOR

October 22, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Mr. Purpera,
In response to your request to Louisiana Delta Community College, please note the following responses to the audit findings.

INADEQUATE CONTROLS OVER BANNER SYSTEM

Finding #1: Louisiana Delta Community College did not have adequate controls over its Banner accounting system, increasing the risk of error or fraud in a system that processed $30.7 million in revenues and $27.8 in expenses during fiscal year 2018.

College Response to Finding: Strongly Disagree. There is no evidence of fraud or errors that significantly affected the financial statements. The overall conclusion of the finding is too broad in nature and does not accurately reflect security measures currently in place. There are multiple layers of approvals required in almost every aspect of our processes. While errors can occur, the risk is within acceptable limits and processes are in place to mitigate problems.

Finding #1a:

Summary: Two employees had more than one user identification account to create requisitions.

College Response to Finding: Agree in part. While it was identified that two employees had more than one Banner identification, the same level of approvals would apply to any activities initiated from either identification account. For example, requisitions are routed to an immediate supervisor, depending upon the amount of the purchase, to the finance department and finally to a purchasing agent. There is no evidence that either of the two employees specified used both Banner identifications. The issue of more than one identification has been addressed and will be extremely rare for this situation to happen again.

College proposed corrective action: Other colleges within the system and the system office has been notified of the possibility of multiple employee identifications existing within the Banner system.

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Finding #1b:

Summary: Two Bossier Parish Community College employees had access to approve time sheets at Delta without a business need.

College Response to Finding: Agree in part. Access to approve time sheets at Delta by Bossier Parish employees was established when the LCTCS Online program was in existence several years ago. The access was terminated before the completion of the audit. There is no evidence to indicate any time sheets were approved by these employees during the fiscal years under audit.

College proposed corrective action: Access was terminated before completion of audit.

Finding #1c:

Summary: Three employees had access to receive cash and change student's account balances when access was not needed to perform their daily job duties.

College Response to Finding: Agree in part. Only one employee was deemed to have inappropriate access. The access for this employee was terminated before the completion of the audit. One employee changed positions in recent months and needed to retain access for training purposes for a new hire. This access was also terminated before the completion of the audit. The last employee needs the ability to access student accounts when required to correct errors or post changes resulting from appeals or collection efforts.

College proposed corrective action: Banner access will continue to be monitored for excessive access.

Finding #1d:

Summary: System access for five employees who terminated during the fiscal year were not removed up to 15 days after separation of employment.

College Response to Finding: Disagree. According to Delta records, access to Banner for only one employee occurred in 15 days after the recorded termination date. The remainder of the employees had their access to Banner terminated five or less days from termination date in the Banner system. One employee transferred to a sister college and that termination of access to Banner is dated when the employee was terminated from the sister institution. Effective September 11, 2018, the LCTCS office initiated a process for employees with a pass termination date on PEAEMPL and no active PEAEMPL record, Banner INB access will be locked.

College proposed corrective action: Banner access and the new lock process be monitored for terminated employees.

Finding #2:

Summary: The College did not accurately set up its student fee tables in Banner for online students. For certain courses, students were not charged the $7 per hour student services fee and others were charged an extra $1 per hour for the student services fee. Also, online students taking more than 12 hours were overcharged for the operational, student technology, academic excellence and building access fees totaling approximately $59,000 for the fiscal year ended June 30, 2018.

College Response to Finding: Agreed. Online course tuition and fees are attached to specific online classes and not calculated through the SFARGFE calculation tables. Input errors occurred while setting up specific online classes.

College proposed corrective action: Online courses and associated fees will be monitored to determine if charges are correct prior to opening up classes for registration.

Finding #3:

Summary: The College did not provide evidence that employees monitored reports to reconcile data between the Banner Student Accounts Receivable and the Banner Finance modules as of June 30, 2018.

College Response to Finding: Agree in part. There are no ongoing schedules prepared to prove the monitoring of posting from accounts receivable to finance. However, daily reports are generated which are checked for accuracy. Also, in order for bank reconciliations to be complete and accurate, all entries from accounts receivable must be posted to finance.

College proposed corrective action: Daily reports generated from Banner will be monitored for accuracy.

Finding #4:

Summary: Management should develop and implement written policies and procedures to ensure employees' accesses are periodically monitored to ensure all access is appropriate for job duties, duplicate ID's do not exist and access is disabled timely upon termination of employment or change in job functions. In addition, management should periodically test fee table calculations and document reconciliations between system modules data.

College Response to Finding: Agree in part. Fee calculations are tested and reviewed prior to allowing student registration into classes. Errors are rare due to the review process. The Information Technology department will develop processes to monitor Banner access. While termination of access is working well, additional processes will be introduced to enhance the ability to monitor access. Effective September 11, 2018, the LCTCS office initiated a process for employees with a pass termination date on PEAEMPL and no active PEAEMPL record, Banner INB access will be locked.

College proposed corrective action: Policies and procedures will be developed as needed.

Sincerely,

W. Dennis Epps
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana Delta Community College (LDCC) for the period from July 1, 2016, through June 30, 2018, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements for the year ended June 30, 2018.

- We evaluated LDCC'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 LDCC.

- Based on the documentation of LDCC'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 LDCC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LDCC's management for significant variances.

The purpose of this report is solely to describe the scope of our work at LDCC and not to provide an opinion on the effectiveness of LDCC'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 LDCC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LDCC's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.