

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE

LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 16, 2017

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

L.E. Fletcher Technical Community College



August 2017

Audit Control # 80170012

Introduction

The primary purpose of our procedures at L.E. Fletcher Technical Community College (College) was to evaluate certain internal controls the College uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and overall accountability over public funds.

The College is part of the Louisiana Community and Technical College System (LCTCS), which is a component unit of the State of Louisiana. The College is an open-admission, two-year public institution of higher education dedicated to offering high-quality technical and academic programs to the community of South Louisiana in order to prepare individuals for employment, career advancement, and lifelong learning.

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 applicable laws and regulations. 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, nonpayroll expenses, and the Federal Pell Grant Program.

Follow-up on Prior-year Finding

We reviewed the status of the prior-year finding in the College's management letter issued December 16, 2015. We determined that management has resolved the finding related to Noncompliance with Student Financial Assistance Cluster Program Regulations for Return of Title IV Funds.

Current-year Findings

Inadequate Controls over the File Sharing System

The College failed to maintain adequate controls over its file sharing system that stores information including data relating to bank reconciliations and delinquent student accounts. Failure to maintain adequate internal controls over the file sharing system could cause additional data loss and/or compromise the accuracy and reliability of data.

On January 9, 2017, a computer virus (Ransomware) was downloaded to the College's file sharing system that encrypted the system's files and denied the College's access to the data and work files. The College's nightly backup system did not function properly, and management was unaware the system had failed; therefore, the College was unable to recover data from a current backup. In addition, employees opened e-mails containing links and downloaded the Ransomware, which resulted in the following:

- The College was unable to complete bank reconciliations for the months of October 2016 through February 2017 until March 2017.
- The College was unable to submit delinquent student accounts to the Attorney General.

Management should ensure that the College's nightly data backup system is functioning properly; adequate virus protection software applications are in place and operating effectively; and adequate policy and procedures are in place, and employees are trained on those policies and procedures. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Failure to Submit Past-due Student Accounts for Collection

The College did not submit past-due student accounts receivable to the Louisiana Attorney General (AG). The last date past-due accounts were sent to the AG was August 24, 2014. These accounts totaling \$32,418 were submitted 104 to 254 days past the 150-day period stated in the College's policy. Failure to submit these accounts for collection increases the risk that the accounts will become uncollectible.

The College's policy states that on the first of each month all borrowers whose accounts are: 60 days old will be sent a 60-day past-due letter; 90 days old will be called; 120 days old will be sent a final notice; and 150 days or older will be forwarded to the AG unless the individual is granted extended time for processing payments.

Management should strengthen procedures to ensure compliance with its policy to submit past-due accounts to the AG for collection. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Cash

We obtained an understanding of the College's controls over cash. We performed procedures relating to the bank reconciliations on the College's three bank accounts for the months of June 2016 through February 2017. Based on the results of our procedures, we determined bank reconciliations for the months of October 2016 through February 2017 were not performed until March 2017 (see Current-year 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 AG. Based on the results of these procedures, the College did not make timely efforts to collect on past-due student accounts generated since December 13, 2013 (see Current-year Findings section).

Student Tuition and Fee Revenues

We obtained an understanding of controls over student tuition and fee revenues. We performed procedures on selected transactions to determine if the College was properly assessing tuition and fee rates according to the approved fee schedule. Based on the results of our procedures, no exceptions were identified.

Payroll Expenses

The College has approximately 205 employees, and payroll expenses represent the largest percentage of the College's expenses. We obtained an understanding of the College's controls over payroll processing and documentation in accordance with standards established by the Department of State Civil Service, LCTCS, and College policies. We performed inquiries of the College's personnel, selected transactions for testing, and examined support for timesheets, authorized salaries, leave taken, and leave accrual rates for a selected sample of employees, and employees with multiple contracts. Based on the results of our procedures, the College has adequate controls over payroll processing and documentation to ensure time and attendance were appropriately approved by the employees' supervisors and salaries were authorized.

Nonpayroll Expenses

We obtained an understanding of controls over nonpayroll expenses. We tested selected expenses and examined support to ensure the transactions were properly authorized, accurately recorded, adequately supported, and in compliance with applicable laws and regulations. Based on the results of our procedures, no exceptions were identified.

Federal Pell Grant Program

The College administers Pell Grant Program funds to provide financial assistance to eligible students. We performed certain procedures to determine if the prior-year finding related to the return of Pell funds to the U.S. Department of Education has been resolved. Based on results of these procedures, the finding has been resolved (see Follow-up on Prior-year Finding section).

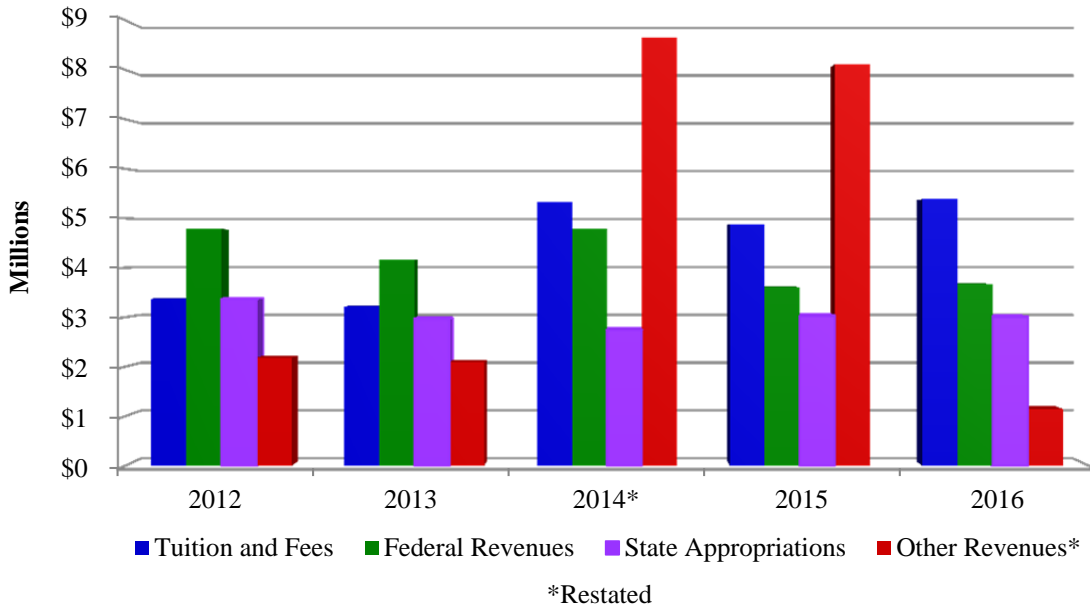
Trend Analysis

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 College management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years, as shown in Exhibits 1 and 2.

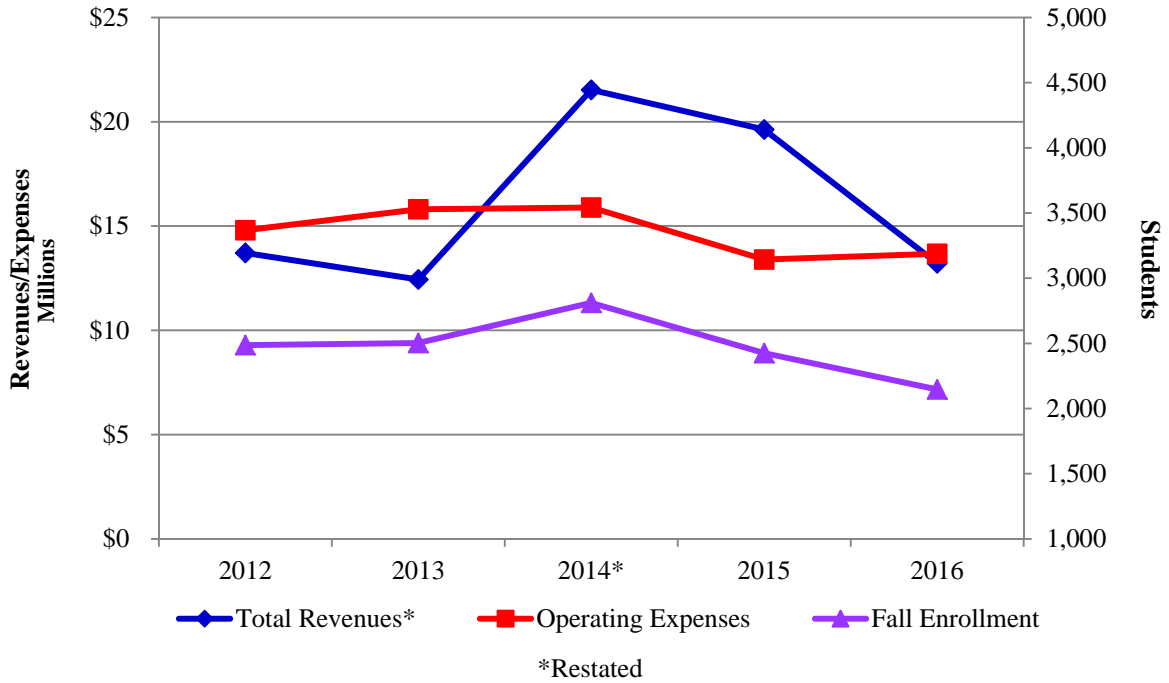
In analyzing the College's financial trends over the past five fiscal years, we determined that from fiscal year 2012 through fiscal year 2016 state appropriations have decreased by 11% because of continued decreases in the State's budget. During the same period, enrollment has decreased 14% while tuition and fee revenues have increased by 60%, primarily from increases in tuition and fees. Overall, revenues decreased by 4% from fiscal year 2012 through fiscal year 2016. The College received capital appropriations and capital gifts and grants for the construction of the BP Integrated Production Technologies Building (BP Building) and the Marine Petroleum Safety Training Center, representing the revenue increases in fiscal years 2014 and 2015, respectively, as shown in Exhibits 1 and 2 (the College restated fiscal year 2014 revenues to include the BP Building).

**Exhibit 1
Five-Year Revenue Trend, by Fiscal Year**



Source: College Annual Financial Reports

**Exhibit 2
Fiscal/Enrollment Trends, by Fiscal Year**



Sources: College Annual Financial Reports and Louisiana Board of Regents website

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

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

DF:CW:BH:EFS:aa

FTCC 2017

APPENDIX A: MANAGEMENT'S RESPONSES

August 1, 2017

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 *Inadequate Controls over the Filing Sharing System*, we concur. On Monday, January 9, 2017 Fletcher's information technology (IT) department was made aware of a virus attack commonly referred to as Ransomware. The virus spreads when a network user clicks on a seemingly normal (at first glance) link embedded within an email. Ransomware is a form of extortion as it encrypts data and holds data hostage until an organization makes a specified payment. Fletcher's anti-virus program was, and is, up-to-date and sufficient; however, once an employee clicks on a link containing the virus, it is not possible to stop the encryption. The best defense against a Ransomware attack is the due diligence of employees.

While human error will always be a factor, the college began mitigating the risk of Ransomware immediately by providing a training session to all employees the day of the attack. The training provided tips for avoiding Ransomware viruses and reminders pertaining to procedures for reviewing links and conferring with the IT department. In addition to the training session, the IT department emailed a reminder and warning to the institution's employees. We believe the college provided training and reminders to employees in an efficient and timely manner. The institution will continue to provide reminders and trainings on an annual basis.

Institutions are able to mitigate the negative impacts associated with the Ransomware virus by adequately backing up data. The college agrees with the finding related to the institution's failure to adequately backup data. Fletcher's backup system failed to properly backup data, and this failure was not realized until the discovery of the Ransomware virus. The institution has since implemented a new backup system to include a functional on-site backup program and a new off-site backup system that provides a secondary safeguard for our data. Our IT department is, in partnership with our IT vendor, reviewing the functionality of the backup system on a daily basis throughout the workweek. As such, we believe the institution has since resolved concerns related to a functional backup system.

HOUMA FACILITY
310 St. Charles St.
Houma, LA 70360

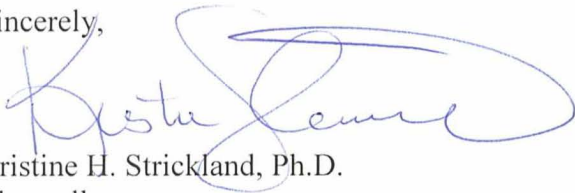
Fletcher has taken the additional step of implementing an e-mail protection and sandboxing program. This program was implemented to further mitigate risks associated

ALLIED HEALTH
5396 Hwy. 311
Houma, LA 70360

with Ransomware and to provide an additional layer of protection against human error. Ransomware has not attacked Fletcher since the combined implementation of trainings, reminders, e-mail sandboxing, and an improved backup system. We believe corrective action has already occurred and that additional action outside of annual employee trainings and Ransomware reminders is not required at this time. Mr. Matthew Swanson, Vice Chancellor for Finance and Administration, is responsible for implementing the corrective actions and will be continuously monitoring IT's efforts in safeguarding the institution's data.

Thank you for providing an opportunity to respond to the audit finding. Please feel free to contact Mr. Swanson at matthew.swanson@fletcher.edu, or (985) 448-7925, should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kristine Strickland". The signature is fluid and cursive, with a large loop at the end.

Kristine H. Strickland, Ph.D.
Chancellor

August 1, 2017

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

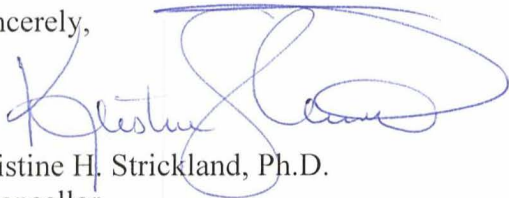
Dear Mr. Purpera:

In regards to your request for an official response to the audit finding entitled *Failure to Submit Past-due Student Accounts for Collection*, we concur. The institution's business office experienced a staffing deficiency beginning in 2013. In addition, the Vice Chancellor for Finance and Administration position experienced turnover and was held by two separate interim Vice Chancellor's through FY2016. An increased workload combined with the staffing deficiencies resulted in a failure to comply with our policy and to submit past-due accounts to the Office of the Attorney General in a timely manner. The college attempted to bring past-due accounts up to date and submit the accounts to the Office of the Attorney General in December 2016 and January 2017; however, the pertinent files were corrupted and inaccessible due to the Ransomware virus attack addressed in a separate audit finding.

Fletcher Technical Community College is currently implementing procedures to ensure compliance with our past-due accounts policy and anticipates corrective action being complete by December 31, 2017. As of June 15, 2017, two additional terms totaling \$75,374 have been submitted to the Office of the Attorney General for collection. Efforts are currently underway to ensure remaining accounts are submitted to the Office of the Attorney General by the deadline mentioned above. In addition, the institution anticipates adding an additional staff member in our business office to improve the student accounts receivable and collections process. The Vice Chancellor for Finance and Administration, Mr. Matthew Swanson, is responsible for implementing the corrective action described above and will continuously monitor progress to ensure compliance with the policy and collections procedures.

Thank you for providing an opportunity to respond to the audit finding. Please feel free to contact Mr. Swanson at matthew.swanson@fletcher.edu, or (985) 448-7925, should you have any questions.

Sincerely,



Kristine H. Strickland, Ph.D.
Chancellor

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310 St. Charles St.
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5396 Hwy. 311
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PETROLEUM INSTITUTE
331 Dickson Rd.
Houma, LA 70363

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at L.E. Fletcher Technical Community College (College) for the period from July 1, 2015, through June 30, 2017. Our objective was to evaluate certain internal controls the College uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall 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 opinions 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 control 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, nonpayroll expenses, and the Federal Pell Grant Program.
- 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.

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.