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# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Technical College,  
Alexandria Campus  
Department of Education  
Board of Elementary and  
Secondary Education  
State of Louisiana  
Alexandria, Louisiana

May 28, 1997



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***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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Alexandria, Louisiana**

**Management Letter  
Dated April 9, 1997**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

**May 28, 1997**



OFFICE OF  
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BATON ROUGE, LOUISIANA 70804-9397

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April 9, 1997

**LOUISIANA TECHNICAL COLLEGE,  
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DEPARTMENT OF EDUCATION  
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STATE OF LOUISIANA  
Alexandria, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1997, we conducted certain procedures at the Louisiana Technical College, Alexandria Campus. Our procedures included (1) a review of the technical college's internal control structure; (2) tests of financial transactions for the years ending June 30, 1997, and June 30, 1996; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1997, and June 30, 1996.

The Annual Fiscal Reports of the Louisiana Technical College, Alexandria Campus are not within the scope of our work, and, accordingly, we offer no form of assurance on those reports. The technical college's accounts, under the Department of Education, are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected technical college personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter of the Regional Management Center 6, Alexandria, dated July 19, 1995, we reported findings specific to the Alexandria campus relating to electronic data processing access controls, certain controls over revenues, and bid requirements for book purchases. These findings have been resolved by management.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

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**Use of Campus Assets for Personal Business**

The Louisiana Technical College, Alexandria Campus does not have adequate controls in place to detect and/or prevent employees from conducting personal business using campus assets and during normal working hours. An adequate internal control system should include policies and procedures to ensure that employees do not conduct personal business using campus assets and during the normal workday. In addition, Article VII, Section 14 of the Louisiana Constitution of 1974, provides that funds, credit, property, or things of value shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

During the period from July 1, 1995, through November 30, 1996, the Job Training Partnership Act (JTPA) (CFDA 17.250) coordinator conducted his private trucking business from his office at the Louisiana Technical College, Alexandria Campus during his normal workday. A review of the telephone calls made from the JTPA Title III telephones and the fax transmissions from the JTPA fax machine during this period and the computer files in the JTPA coordinator's office computer revealed:

**Telephone calls and fax transmissions that could relate to personal business:**

- 54 in-state telephone calls, totaling 211.4 minutes
- 56 out-of-state calls, totaling 210.4 minutes
- 17 in-state fax transmissions, totaling 51.2 minutes
- Computer software package (Quicken) with files containing all of the financial records of the Javid-M trucking business (those were the only files in that program)

**Computer files:**

- 32 of the 102 files (31 percent) in the word processing directory with activity between July 1, 1995, and December 19, 1996, were memos and other correspondence concerning his trucking company.

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In addition, there were 51 personal calls to the JTPA coordinator's sister in Leesville, totaling 179.7 minutes, charged to the JTPA program telephones.

We further noted that there were 33 out-of-state fax transmissions, totaling 33.7 minutes, to a mail order distributor. We found that various employees used this mail order distributor to place personal orders. There were also numerous telephone calls and fax transmissions that the technical college could not identify.

The JTPA coordinator stated that he wanted to get his trucking business up and running before he retired from state service. As a result, he used state assets and his employment position for his own personal gain, which may be a violation of the state constitution and the following criminal laws: Louisiana Revised Statutes (R.S.) 42:1461(A), Fiduciary Duty, and R.S. 14:67, Theft.

The Louisiana Technical College, Alexandria Campus should implement policies and procedures that would detect and prevent technical college employees from conducting personal business using campus assets and during normal working hours, in a timely manner. This could be accomplished, in part, by monitoring the telephone and fax usage more closely. In addition, management should develop and implement procedures for the early detection of instances of outside activity that would violate state laws and take the appropriate action. In a letter dated February 28, 1997, Ms. Patricia S. Juneau, Director, stated that telephone and fax transmission logs are to be used and that the use of the internal control form for each employee to complete annually has been implemented to help ensure early detection of instances of outside activity that would violate state laws.

**Weakness in Electronic Data Processing User Controls**

The Louisiana Technical College, Alexandria Campus has weaknesses in its electronic data processing (EDP) control system under certain statewide systems. A good internal control structure should provide for adequate safeguards over access to and use of assets and records such as computer data files. Management is responsible for implementing a system of internal control activity that would minimize the chance and aid in the detection of errors or irregularities. During our test of the EDP user controls for the Governmental Financial System (GFS), Uniform Payroll System (OSUP), Louisiana Property Assistance Agency (LPAA), and Advanced Governmental Purchasing System (AGPS), we found that:

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- The regional accountant/agency security administrator did not request that a retired employee's user ID be disengaged until ten days after his retirement date. The employee had inquiry access only.
- The technical college did not have its own in-house procedures for OSUP users to follow when entering data, editing data, or reviewing output.
- The technical college did not report its change in property control manager to LPAA or request LPAA to disable access for certain persons having no business need.
- The director had access to enter and change purchasing, receiving, invoice and vendor data in AGPS to which she has no business need. These duties are performed by other employees.

As a result of these weaknesses, the integrity of the statewide systems is threatened and there is less reliance on the results produced. In addition, there is a risk that the technical college's financial statements and records could be inaccurate and any errors remain undetected.

The Louisiana Technical College, Alexandria Campus should develop and implement written policies and procedures to address the weaknesses noted in its electronic data processing control system under the mentioned statewide systems. In a letter dated February 28, 1997, Ms. Patricia S. Juneau, Director, stated that they will develop and implement written policies and procedures to address these weaknesses.

**Controls Over Self-Generated Revenue**

The Louisiana Technical College, Alexandria Campus, has not maintained adequate controls to account for and safeguard its self-generated revenue. Good internal controls provide for the segregation of duties so that no one employee is in a position to both initiate and conceal errors and irregularities. In our review of controls over the revenue/receipts cycle, we noted the following weaknesses related to billing and collecting tuition and books and contract reimbursements:

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- . The same person bills, gets the billing statements back for mailing after approval and before they have been logged to a control account, and also receives the payments and prepares the receipts for the billing and collection on reimbursement contracts.
- . There is no control account maintained by a person independent of the billing and collection for tuition and fees billed to outside agencies and reimbursement contracts.
- . There is no restrictive endorsement placed on the incoming checks by the secretary before giving them to the accounting department for processing nor is the secretary's log agreed back to receipts or deposits.

This lack of segregation of duties increases the risk that cash could be misappropriated or that financial statements and receivable records could be inaccurate and remain undetected.

The Louisiana Technical College, Alexandria Campus should develop and implement written policies and procedures to achieve adequate segregation of duties relating to billing and cash receipts. This could be accomplished by having the secretary get the billing statements directly from the director, after approval, and log them into a control account. This control account should be reconciled periodically to the statements, both paid and unpaid. There should be procedures for an independent review of the reconciliation. In a letter dated December 17, 1996, Ms. Patricia S. Juneau, Director, stated that formal written procedures have been established so that no one employee is in a position to both initiate and conceal errors and irregularities.

### **Controls Over Payroll Functions**

The Louisiana Technical College, Alexandria Campus has not developed or implemented adequate internal control policies and procedures over its payroll functions. Good internal controls provide for a segregation of duties so that no one employee is in a position to both initiate and conceal errors and irregularities. In our review of the controls over payroll, we noted the following weaknesses:

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- The accountant performs general ledger functions, enters changes to employees' master records, and also has access to enter time for processing payroll.
- Termination pay and supplemental payroll checks are received and distributed by the accountant who also performs payroll functions.
- There are no independent reviews performed of the detail time entry and master record change transactions by persons not involved in the payroll process.
- The same person who enters leave data also receives and reviews the leave reports. Unauthorized changes to leave balances may not be detected timely.
- The accountant directly receives the W-2 forms, compares them to payroll records, and mails or hand delivers them to employees. In addition, she receives and investigates returned W-2 forms.

The accounting staff is limited; therefore, all accounting, payroll, and personnel functions are assigned to these two employees. As a result of this lack of segregation of duties, errors or irregularities could occur when entering data into the payroll system which may not be detected timely.

The Louisiana Technical College, Alexandria Campus should develop and implement written policies and procedures to achieve adequate segregation of duties relating to the payroll function. This could be accomplished by having the director become more actively involved in the payroll process. The director or her assistant should directly receive and review all reports and documents generated by the state payroll system for any unusual transactions. There should also be evidence that an independent review was performed. In a letter dated December 17, 1996, Ms. Patricia S. Juneau, Director, stated that formal written procedures have been established so that no one employee is in a position to both initiate and conceal errors and irregularities.

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**Inventory Controls**

The Louisiana Technical College, Alexandria Campus does not have adequate controls to ensure that its materials and supplies inventories are adequately accounted for, and that errors and/or irregularities would be prevented or detected in a timely manner. A system of internal controls dictates that adequate measures are taken to ensure proper and accurate accountability of all inventoried items. Management is responsible for implementing a system of internal controls to ensure that assets are safeguarded. Our control work revealed the following weaknesses:

- The same person orders, receives, issues, and posts to the electronic perpetual records, performs the annual physical count, and has custodial responsibility over the campus book supply inventory, which totaled \$22,397 at June 30, 1996. Also, there was no independent investigation or review of the discrepancies, totaling \$1,313 of shortages, found between the physical count and the perpetual record balances at June 30, 1996.
- The same person performs the annual physical count and has custodial responsibility over the periodic inventory of materials and supplies, which totaled \$81,308 as of June 30, 1996.
- There are no formal written procedures for accounting for the issuance, distribution, and record keeping for both the book and the materials and supplies inventories, which were reported at \$103,705 as of June 30, 1996.

These weaknesses exist because there are no formal written policies and procedures. Management's failure to have adequate controls subjects inventory items to possible loss, misuse, and/or theft which would not be detected timely, if at all.

The Louisiana Technical College, Alexandria Campus should develop and implement written policies and procedures for controlling the receipt, distribution, record keeping, custody, and year-end physical inventory process for all its materials and supplies. Moreover, management should monitor personnel's adherence to these policies and procedures. In a letter dated December 5, 1996, Ms. Patricia S. Juneau, Director, stated that formal written procedures will be established to separate the duties involving materials and supplies inventory.

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**Inadequate Controls Over Bank Account Activities**

The Louisiana Technical College, Alexandria Campus has not developed or implemented adequate internal control policies and procedures to account for the activity in its three local bank accounts. A good internal control structure should provide segregation of duties so that no one employee is in a position to both initiate and conceal errors and irregularities. Our control work disclosed the following weaknesses relating to bank account activity:

- For the imprest and zero balance accounts, the accountant has access to prenumbered blank checks; she prepares checks; and she makes cash receipt and disbursement entries in the cash records and general ledger. She also prepares the monthly bank reconciliations and the annual financial statements and notes where the cash balances are presented.
- For the Vocational Industrial Clubs of America (VICA) account, an employee of the technical college prepares checks, makes cash receipt and disbursement entries in the cash records, and reconciles the monthly bank statements.
- The documents supporting disbursements from the imprest, zero balance and student club accounts are not marked canceled to prevent duplicate payments.
- There is no independent review of the monthly bank reconciliations or the contents of the unopened bank statements.

Management failed to implement a system of internal control activity that would minimize the chance and aid in the detection of errors or irregularities relating to these bank accounts. As a result, this lack of segregation of duties increases the risk that cash could be misappropriated or that financial statements and bank account records could be inaccurate and remain undetected.

The Louisiana Technical College, Alexandria Campus should develop and implement written policies and procedures to achieve adequate segregation of duties relating to its local bank accounts' activities. This could be accomplished by having someone other than the accountant and the student organization treasurer examine contents of unopened bank statements and also prepare or review the monthly bank reconciliations.

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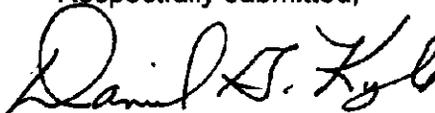
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There should also be evidence that independent reviews were made. In addition, documents supporting disbursements from the accounts should be marked as canceled or paid. In a letter dated February 28, 1997, Ms. Patricia S. Juneau, Director, stated that formal written procedures have been developed to address these matters.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the technical college. The varying nature of the recommendations, their implementation costs, and their potential impact on operations of the technical college should be considered in reaching decisions on courses of action. Findings relating to the technical college's compliance with laws and regulations should be addressed immediately by management.

By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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