

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Technical College,
Huey P. Long Campus
Department of Education
Board of Elementary and
Secondary Education
State of Louisiana
Winnfield, Louisiana

June 17, 1998

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Financial and Compliance Audit Division

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



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March 11, 1998

**LOUISIANA TECHNICAL COLLEGE,
HUEY P. LONG CAMPUS
DEPARTMENT OF EDUCATION
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA
Winnfield, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1998, we conducted certain procedures at Louisiana Technical College, Huey P. Long Campus, Department of Education. Our procedures included (1) a review of the technical college's internal controls; (2) tests of financial transactions for the years ended June 30, 1998, and June 30, 1997; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 1998, and June 30, 1997; and (4) a review of compliance with prior report recommendations.

The Annual Fiscal Reports of Louisiana Technical College, Huey P. Long Campus were not audited or reviewed by us, and, accordingly, we express no opinion or any other form of assurance on these reports. The technical college's accounts 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 selected management 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 discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter on Regional Management Center 6, Alexandria dated July 19, 1995, we reported findings specific to the Huey P. Long Campus relating to certain controls over revenues, electronic data processing access controls, and bid requirements for book purchases. Management has resolved these findings.

Based on the application of the procedures referred to previously, one significant finding is included in this report for management's consideration.

**Inadequate Electronic Data Processing
User Controls**

Louisiana Technical College, Huey P. Long Campus has not established adequate internal controls over the statewide electronic data processing (EDP) systems. Good

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internal controls provide for segregation of duties so that no one employee would be in a position to both initiate and conceal errors and fraud and provide for the timely removal of access to data files and the on-line electronic data processing systems. In our review of the controls over EDP, we noted the following weaknesses:

- Three administrative employees were given access to the Advanced Government Purchasing System (AGPS) to perform incompatible duties, including entering new vendors, purchase requisitions, purchase orders, and receiving reports as well as processing invoices and payments in AGPS. No separate electronic approvals had been set up.
- From January 1997 until February 1998, the director of the technical college was given unnecessary access to AGPS to request new vendors and to make changes to the master vendor files.
- The accountant and the administrative secretary were given access to AGPS to approve payment transactions, which is the responsibility of the director.
- Requests to delete ISIS user identification codes under AGPS and the Government Financial System (GFS) were not submitted timely. The director, Mr. Alferd S. Davis, was placed on administrative leave February 9, 1998; however, the request to delete his user ID was not submitted until 11 days after the extended leave starting date. The submission of the request to delete the user ID for the former director, who was replaced in January 1997, was not submitted until 360 days after his transfer.
- No one at the school verifies that new vendors are legitimate before they are entered into the master vendor files.
- The administrative secretary had unnecessary access to the Office of Statewide Uniform Payroll System (OSUP) to input master file updates.
- The accountant enters employees' time, leave, and master record change information into OSUP along with verifying the output to the source input documentation. There is no independent review of this documentation.

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- There is no independent reconciliation of new equipment purchases entered on-line in the Louisiana Property Assistance Agency records and capital outlay purchases processed on-line through GFS.

Additional responsibilities were placed on the director and accountant after the school was reorganized under the technical college system. Incompatible functions were assigned to system users as well as unnecessary access to three employees. Also, the school relied on the Office of Statewide Reporting to verify new vendors. As a result, there is an increase risk that errors and fraud could occur and not be detected in a timely manner. In addition, allowing unauthorized persons access to EDP data increases the chance for manipulation of data.

Louisiana Technical College, Huey P. Long Campus should establish and implement policies and procedures to ensure adequate controls over the EDP systems. In a letter dated March 4, 1998, Mr. David J. Hobdy, Acting Director, stated that he concurred with the finding and that action will be taken to correct the weaknesses in controls over EDP.

Other Reports Issued

On December 17, 1996, the State of Louisiana, Office of State Inspector General issued a report titled "Excessive Travel Expenses." In addition, the Louisiana Department of Education, Office of Management and Finance, Bureau of Internal Audit performed a salary analysis and issued the results of the analysis on February 24, 1997. As a result of these two reports, on January 28, 1998, the Eighth Judicial District Grand Jury brought indictments against the director of the Louisiana Technical College, Huey P. Long Campus, Mr. Alferd S. Davis, on two counts of malfeasance in office and one count of theft. Mr. Davis was placed on paid administrative leave on February 9, 1998. Subsequently, Mr. David J. Hobdy was named acting director for the technical college.

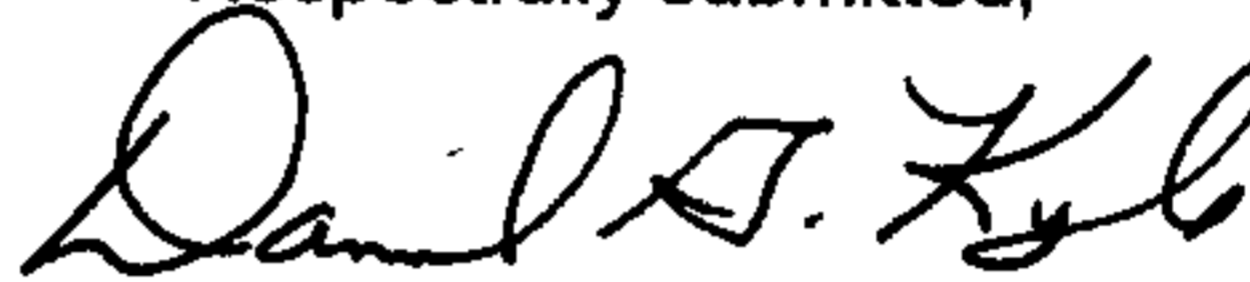
The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the technical college. The nature of the recommendation, its implementation costs, and its potential impact on operations of the technical college should be considered in reaching decisions on courses of action.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

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[LTC-HUEY]

