

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Technical College,
Charles B. Coreil Campus
Department of Education
Board of Elementary and
Secondary Education
State of Louisiana
Ville Platte, Louisiana

August 18, 1999



Financial and Compliance Audit Division

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

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**LOUISIANA TECHNICAL COLLEGE,
CHARLES B. COREIL CAMPUS
DEPARTMENT OF EDUCATION
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA
Ville Platte, Louisiana**

**Management Letter
Dated August 2, 1999**

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.

August 18, 1999



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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August 2, 1999

**LOUISIANA TECHNICAL COLLEGE,
CHARLES B. COREIL CAMPUS
DEPARTMENT OF EDUCATION
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA
Ville Platte, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1999, we conducted certain procedures at Louisiana Technical College, Charles B. Coreil Campus. Our procedures included (1) a review of the technical college's internal controls; (2) tests of financial transactions for the years ended June 30, 1999, and June 30, 1998; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 1999, and June 30, 1998; and (4) a review of compliance with prior report recommendations.

The Annual Fiscal Reports of Louisiana Technical College, Charles B. Coreil Campus are not within the scope of our work, and, accordingly, we offer no 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 management personnel and other 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 discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter of Louisiana Technical College, Charles B. Coreil Campus, dated June 5, 1997, we reported a finding relating to inadequate controls over payroll. Management has resolved this finding.

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

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Inadequate Internal Control Over Cash

Louisiana Technical College, Charles B. Coreil Campus did not have adequate internal control over cash. A good system of controls would segregate duties so that no one employee is in a position to commit errors or fraud that would not be detected timely by another employee in the regular course of assigned duties. Good internal control also requires that amounts deposited and recorded be reconciled to underlying receipt documentation. In addition, Article VII, Section 9(A) of the Louisiana Constitution requires that all money received by a state agency shall be deposited in the state treasury immediately upon receipt.

Deficiencies in internal control included:

1. The technical college had no procedures to ensure that all receipts were deposited properly. In addition, the technical college did not perform a daily reconciliation of cash received by employees and cash submitted for deposit. There was no accountability for receipt numbers issued.

During the audit, an employee confessed to theft of \$5,000, but the actual amount of the theft has not been determined. She admitted to accepting money from students and not turning in the money or the cash receipt documents to the accountant for deposit. Following the admission of theft, the employee resigned from the technical college.

2. Deposits for the technical college for the two years ending June 30, 1999, were not deposited timely. We examined five deposits, which consisted of 57 individual cash receipts. Four of the five deposits had 31 individual cash receipts, or 54%, that were not deposited timely. Twenty-one receipts were deposited 3 to 30 calendar days after receipt and ten receipts were deposited 30 to 90 days after receipt.
3. One employee had access to the blank checks, prepared the checks, and had signature authority on the zero-balance cash account.

Management did not place adequate emphasis on internal control. Failure to understand and assess internal control risk increases the risk that errors and fraud could occur and not be detected timely.

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STATE OF LOUISIANA

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The technical college should establish adequate internal control over cash receipts to include a reconciliation of amounts deposited to the underlying receipt documentation, timely deposit of cash receipt transactions, and adequate segregation of duties. The technical college should also implement procedures to ensure that its cash accounts are monitored properly to guard against theft or misuse. Management concurred with the finding and recommendation and implemented a plan of corrective action (see Appendix A, page 1).

Noncompliance With Compensatory Leave Regulation

Louisiana Technical College, Charles B. Coreil Campus did not comply with the compensatory leave regulation of the *State Board of Elementary and Secondary Education/State Board of Vocational Technical Education Personnel Manual, BESE Bulletin 1868 (Bulletin)*. The *Bulletin*, Chapter E: Section 153:13.a., states that directors do not earn compensatory leave. The director of the technical college was appointed to his position in 1992. During his tenure as director and according to the Office of State Uniform Payroll On-Line System (UPS) leave register, he has used only two hours of annual leave from 1992 until present.

The director keeps a personal time sheet that identifies his compensatory time accumulated each pay period. He adjusts time earned against the time he was on compensatory leave to get net compensatory time within a pay period. Since September 1995, the director has shown compensatory time earned on all of the 92 personal time sheets. On 45 of the 92 personal time sheets, he shows compensatory leave taken totaling 459 hours.

Although the director maintains this daily-initialed time sheet, he does not submit this documentation to the timekeeper. The UPS User's Manual established by the Division of Administration requires that a certified document must be prepared every payroll period for each employee that summarizes the actual number of hours of attendance on duty, as well as the actual number of hours absent from duty. This documentation is part of the minimum documentation requirements that must be maintained by the timekeeper for each reporting period.

Management's lack of compliance with regulations set forth by the oversight agencies has caused the director's official annual and sick leave balance to be overstated by 459 hours since September 1995. This overstatement may cause the director's retirement

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benefits in the Teachers Retirement System to be overstated, because unused annual leave in excess of 300 hours plus unused sick leave would be used to compute the director's retirement benefits at the time of his retirement. In addition, not submitting time sheets to the timekeeper increases the risk that errors and/or irregularities could occur and not be detected timely.

The technical college should require the director to comply with the compensatory leave regulation of the *Bulletin* and cease earning compensatory leave. In addition, he should submit attendance documentation to the timekeeper in accordance with the UPS User's Manual. The technical college should consider reclassifying the compensatory leave taken to annual or sick leave, as appropriate. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

Noncompliance With Purchasing Rules and Regulations

Louisiana Technical College, Charles B. Coreil Campus did not comply with certain state purchasing laws and regulations. The following deficiencies were noted:

1. The technical college did not comply with the Commodity-Based Procurement Policy issued September 3, 1996, by Mark C. Drennen, Commissioner of Administration. The official state policy regarding commodity-based procurement requires that all commodity-based activities initiate within, and be completed through, the Advanced Governmental Purchasing System (AGPS), and that utilization of the Advantage Financial System (AFS) for direct commodity-based procurement purposes is a violation of that policy. The technical college did not use AGPS for any purchases but rather went through AFS for all purchases. The accountant was not aware of this requirement.

The technical college used AFS instead of AGPS for commodity-based procurements totaling \$191,850 from July 1, 1998, to March 31, 1999. Through AFS, the state treasury issued checks totaling \$173,793 either directly to vendors or to the technical college for allowable reimbursements. In addition, state treasury checks, totaling \$18,057, were written directly to the technical college for purchases from infrequently used vendors. The technical college then deposited these checks into its zero-balance account, and payments were written out of

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this account to the vendor. This process circumvents the controls in AGPS and increases the risk that checks could be diverted from their intended purpose.

2. Executive Order MJF 98-20, Procurement of Small Purchases, requires that contracts be awarded on the basis of lowest responsive price quotations. One of 21 purchases examined did not meet the requirements of Executive Order MJF 98-20. Although the technical college had three solicitations for the purchase of a television, the technical college did not take the lowest bid on the purchase. Instead, the purchase, totaling \$1,999, was awarded to an establishment that is owned by the director's brother-in-law.
3. Executive Order MJF 98-20 also requires that for purchases exceeding \$500, but not exceeding \$2,000, at least one of the bidders should be a certified economically disadvantaged business. However, none of the solicitations for the purchase of the television were submitted to certified economically disadvantaged businesses nor was there any documentation as to why such a bid was not solicited.

Management's lack of emphasis on compliance with state laws and regulations increases the risk that errors and/or fraud could occur and not be detected timely. Management should implement procedures to ensure compliance with state laws and regulations regarding purchases. Management concurred with the finding and recommendation and implemented a plan of corrective action (see Appendix A, page 4).

The Legislative Auditor's Investigative Audit Division is performing additional work concerning the theft as addressed in the finding titled "Inadequate Internal Control Over Cash." That report is ongoing and if any report is issued, such will become public record.

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 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. The findings relating to the technical college's compliance with laws and regulations should be addressed immediately by management.

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This report is intended for the information and use of the technical college and its management. 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

KD:DLH:PEP:dI

[LTC-CBC]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



DANIEL LEMOINE
Director

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Accredited by the
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of the Council on
Occupational Education

June 21, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding: Inadequate Internal Control Over Cash

Dear Dr. Kyle:

I concur with the finding and recommendations set forth by the legislative auditor's office.

A corrective action plan is presently in place to correct this finding of noncompliance. This plan includes the Director, Assistant Director, and the Accountant II of the campus. This plan is set forth as follows:

1. As of May 10, 1999, all outstanding receipt books were turned in to the Accountant II. She turned these over to the legislative auditors. The remaining supply of receipt books was inventoried by the auditor. The accountant II then issued receipt books to specified campus personnel who first completed a receipts register. With each issuance of receipt books, a receipts log is also opened. This system will provide for internal control of receipt books and receipts issued.
2. At the end of each day, any monies collected and matching receipts are turned in to the accountant for deposit. The accountant verifies the numeric order of receipts and the total cash collected to the total receipts issued. The receipts log is then updated and initialed by the both parties. Once the deposit is completed, the receipt log is updated again with deposit information and initialed by the accountant.
3. Blank checks for the Zero Balance Cash Account is housed in the Accountant II's office, under lock. The accountant prepares the checks. Personnel now authorized to sign these checks are the Director and/or Assistant Director of the campus.

Dr. Daniel G. Kyle, CPA, CFE

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June 21, 1999

The above-named internal control actions are now in place and will continue until mandated changes are issued by authorized personnel.

I hope that this letter satisfies your request of an official response to the finding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Danny Lemoine".

Danny Lemoine
Director



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DANIEL LEMOINE
 Director

May 28, 1999

Dr. Daniel G. Kyle, CPA, CFE
 Legislative Auditor
 1600 North Third Street
 P. O. Box 94397
 Baton Rouge, LA 70804-9397

Re: Audit Finding of Noncompliance with Compensatory Leave Regulation and Time-Entry Requirements

Dear Dr. Kyle

Upon review of Bulletin 1868, Chapter E: Section 153:13.a., I concur with the individual finding and recommendations set forth by the legislative auditor's office. My noncompliance was not intentional. I was verbally misinformed by the Technical College System Office that I was able to utilize flex time as long as accurate records were maintained by me. I used the Compensatory Columns on the time sheet to record this flex time.

A corrective action plan is presently in place to correct this finding of noncompliance. This plan includes the Director, Assistant Director, and the Accountant II of the campus. As soon as informed by Ms. Kay Dischler, Legislative Auditor, CPA, I turned in all time sheets from 1995 to present to the Accountant II, UPS headquarters, to make the necessary adjustments to leave balances. In addition, all future time sheets will be turned in timely to the Accountant II with all leave recorded accurately. These time sheets and leave records will be initialed by the Assistant Director prior to their entry on the Uniform Payroll System. The completion date for these actions is Friday, May 28, 1999.

I hope that this letter satisfies your request of an official response to the finding.

Sincerely,

Danny Lemoine
 Director



DANIEL LEMOINE
Director

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June 21, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
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Re: Audit Finding: Noncompliance with Purchasing Rules and Regulations

Dear Dr. Kyle:

I concur with the finding and recommendations set forth by the legislative auditor's office.

A corrective action plan is presently in place to correct this finding of noncompliance. This plan includes the Director, Assistant Director, the Accountant II, and Secretary II of the campus. This plan is set forth as follows:

1. As soon as the Accountant II was made aware of the Commodity Based Procurement Policy by the legislative auditors, she immediately began the training of the Secretary II in the Advanced Governmental Purchasing System (AGPS). The secretary is now fully trained, and the system is being fully utilized for all commodity based purchases. Checks for payment of all invoices are now issued directly from the state treasury to individual vendors.
2. With regards to procurement of small purchases, bids returned will be carefully reviewed by the Director or Assistant Director to determine their ability to meet all specifications set forth in campus requisitions. Bids will be awarded to the lowest bidder meeting minimum specifications.
3. As soon as the Accountant II was made aware of Executive Order 98-20 by the legislative auditors, she immediately began investigating the list of certified economically disadvantaged businesses operating in this area. From this date forward, any vendors from this list will be utilized as proper.

Dr. Daniel G. Kyle, CPA, CFE

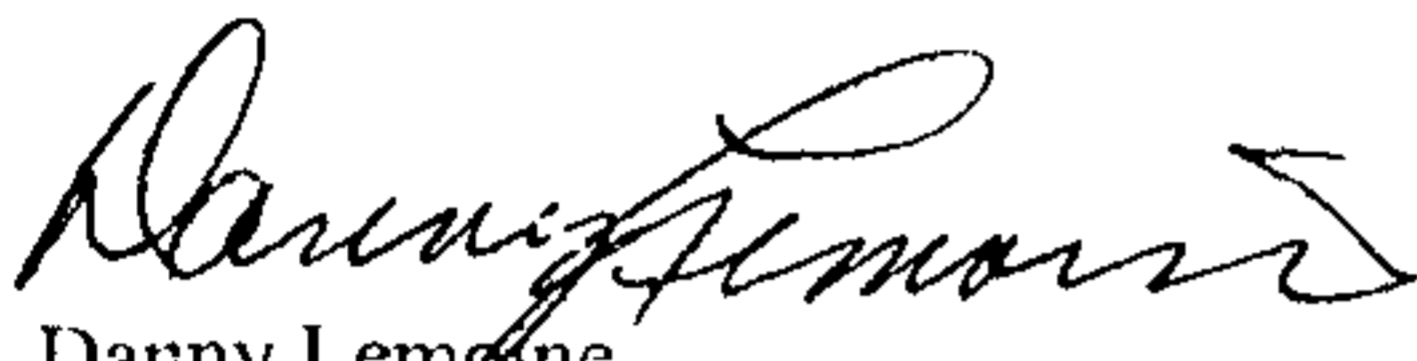
Page 2

June 21, 1999

The above-named purchasing procedures are now in place and implementation will continue until mandated changes are issued by authorized personnel.

I hope that this letter satisfies your request of an official response to the finding.

Sincerely,

A handwritten signature in cursive script, appearing to read "Danny Lemoine".

Danny Lemoine
Director