

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE

LOUISIANA COMMUNITY AND TECHNICAL
COLLEGE SYSTEM

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued August 23, 2023

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

L.E. Fletcher Technical Community College



August 2023

Audit Control # 80230027

Introduction

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

Results of Our Procedures

We evaluated FTCC's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of FTCC's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to cash, accounts receivable and payable, movable property, student tuition and fee revenues, payroll and personnel expenses, and contract expenses.

Current-report Findings

Inadequate Controls over Bank Reconciliations

FTCC did not have adequate controls over its bank reconciliations, which increases the risk that employee error or fraud could occur and not be detected timely.

Based on our review of the monthly bank statements and reconciliations for four months during July 2021 through January 2023, none of the reconciliations contained evidence of supervisory review and approval, or when the reconciliations were completed. In addition, the bank reconciliations for the months reviewed contained unexplained differences between the bank balances and the general ledger that were carried forward to subsequent reconciliations. As of the May 2023 bank reconciliation, there were no remaining unexplained carryforward reconciling items.

Management did not place sufficient emphasis on implementing an effective bank reconciliation process. Good internal controls require a monthly reconciliation of bank

balances to the accounting records, with supervisory review and approval in a timely manner. Subsequent to our inquiries, management implemented a new bank reconciliation policy effective March 2023 beginning with the February 2023 bank reconciliation that contained accounting staff responsibilities, including timelines for completion of the monthly reconciliations and correction of reconciling items, along with required evidence of approval.

FTCC should continue following the newly-created bank reconciliation policy to ensure that FTCC's bank accounts are properly reconciled; that reconciling items are properly documented and appropriate action is taken by established time requirements; and that completed bank reconciliations contain documented review by the appropriate level of management. Additionally, FTCC should provide training of the bank reconciliation process and policies to accounting staff, as needed. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Weakness in Controls over Accounts Receivable and Payable

FTCC did not maintain adequate internal controls over accounts receivable and payable, which increases the risk of inaccurate financial reporting in the financial statements and related disclosures.

Subsequent to audit inquiries, FTCC began the process of identifying uncollectible accounts receivable and any other errors within accounts receivable and payable, resulting in accounts receivable write-offs of \$226,421, and accounting entries to correct prior year general ledger errors of \$90,889 to accounts receivable and \$61,808 to accounts payable.

FTCC management did not adhere to the established accounts receivable write-off policies and did not monitor general ledger accounts for potential stagnant and/or erroneous balances prior to the preparation of previous financial reports. The Louisiana Community and Technical College System and FTCC policies require write-offs of delinquent accounts receivable two years after the due dates and FTCC's policy notes that proper write-offs are encouraged on a fiscal year end basis. Good internal controls over financial reporting would require annual considerations for write-offs and examining general ledger account balances for potential errors and correcting those errors, if any.

Management should continue to enforce existing policies and procedures to timely write-off uncollectible accounts receivable balances, revise FTCC's internal policy to require an annual evaluation of potential write-offs, monitor accounts receivable and payable for stagnant and/or erroneous balances, and provide training to staff, as needed. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Cash

FTCC maintains an operating account and two other bank accounts. The cash balance at June 30, 2022, per FTCC's Annual Financial Report, was \$12,441,239. We obtained an understanding of FTCC's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements and bank reconciliations. Based on the results of our procedures, FTCC had adequate segregation of duties; however, as noted in the Current-report Findings section, FTCC did not have adequate controls in place to ensure the accuracy or timely preparation, review, and approval of bank reconciliations for most of the period covered by this engagement.

Accounts Receivable and Payable

We reviewed select FTCC accounts receivable and payable balances for current and prior fiscal years, as well as the accounts receivable allowance account, to evaluate FTCC's controls over monitoring outstanding receivable and payable balances. Based on the results of our procedures, we determined that FTCC had been carrying forward stagnant and/or erroneous balances and was not properly writing off uncollectible student accounts receivable balances (see Current-report Findings section).

Movable Property

FTCC reported approximately \$8.9 million of movable property to the Louisiana Property Assistance Agency in its March 2023 annual certification. We obtained an understanding of FTCC's controls over movable property and performed procedures to ensure that controls over movable property were adequate for FTCC's multiple locations, that assets were properly safeguarded and recorded, and that FTCC complied with state property regulations. Based on the results of our procedures, FTCC had adequate controls in place to ensure that assets were properly safeguarded and accurately recorded in the asset management system.

Student Tuition and Fee Revenues

FTCC tuition and fee revenues, before allowances, totaled \$7.1 million in fiscal year 2022 and \$7.6 million in fiscal year 2023 as of January 27, 2023. We obtained an understanding of controls over student tuition and fee revenues and performed procedures on selected students' accounts for the Fall 2021, Spring 2022, and Fall 2022 semesters. Based on the results of our procedures, FTCC had adequate controls in place to ensure that tuition and fees were properly assessed, were in accordance with the approved fee schedule, were properly posted to students' accounts, and payments applied to the students' accounts were accurate and complied with applicable policies.

Payroll and Personnel Expenses

Salaries and related benefits comprised approximately 53% of FTCC's expenses in fiscal year 2022 and 45% for fiscal year 2023 as of January 27, 2023. We obtained an understanding of FTCC's controls over the time and attendance function and reviewed selected employee time statements, leave records, and pay rate authorizations, including market adjustments. Based on the results of our procedures, FTCC had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was accounted for properly.

Contract Expenses

We obtained an understanding of FTCC's controls over the execution and payment of contracts. We analyzed and selected contract expenses during the period July 1, 2021 through March 7, 2023, and examined supporting documents for selected transactions. Additionally, we selected contracts related to building repairs caused by hurricane damage and examined related transactions over the same period.

Based on the results of our procedures, FTCC had adequate controls to ensure contracts were properly executed and in compliance with applicable laws and regulations, expenses were adequately supported and approved, made in accordance with contractual terms, and were recorded properly in the accounting records.

Trend Analysis

We compared the most current and prior-year financial activity using FTCC's Annual Financial Reports and/or system-generated reports and obtained explanations from FTCC's management for any significant variances.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KML:CJH:RR:BQD:aa

FTCC 2023

APPENDIX A: MANAGEMENT'S RESPONSES

July 31, 2023

Michael J. “Mike” Waguespack, CPA
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Fletcher Technical Community College concurs with the finding of “Inadequate Controls over Bank Reconciliations”. During the period of July 2021 through January 2023, Fletcher did complete monthly bank reconciliations. However, as stated in the finding, the reconciliations did not contain evidence of supervisory review and approval or indicate the date when completed until the February 2023 reconciliation.

The Director of Accounting had been responsible for preparing the monthly bank reconciliations. The General Accountant assumed this duty in July 2021 upon the departure of Director. Shortly after the Director’s departure, the area was also impacted by Hurricane Ida. The combination of these two events caused the disruption of normal business office operations and procedures and ultimately led to the issues stated in the finding.

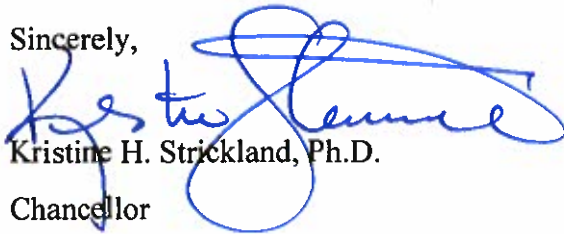
In October 2022, the Director position was filled. At that time, the monthly bank reconciliations had been completed by the General Accountant through September 2022. Under the new Director, the reconciliation procedure was modified and the reconciliation form was completely redesigned. The Director worked together with the General Accountant to reconcile October, November, and December 2022 using the new procedure and form. The Director then supervised the “re-reconciliation” of the previous 4 months from June 2022 through September 2022 using the new procedure and form. The General Accountant then completed the January 2023 reconciliation independently. This reconciliation was reviewed by the Director. However, as stated in the finding, the Director did not inscribe any of these reconciliation forms with her signature or the date completed. This lack of evidence was not due to a lack of supervisory review, but was due to the inadvertent omission of the signature and date line on the revised reconciliation form.

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

Fletcher has taken additional steps to ensure adequate controls over bank reconciliation in conjunction with this procedural review. First, a new bank reconciliation policy was developed. As stated in the finding, this policy outlines the current bank reconciliation process and explicitly states reconciliation due dates, responsible parties and supervisory documentation requirements. The Director of Accounting and Business Services, Mrs. Tracy Carmichael, was responsible for developing and implementing this new policy. She also updated the revised reconciliation form and inserted the signature line that was inadvertently omitted. Additionally, the General Accountant has been fully trained in the new reconciliation procedure and continues to prepare the bank reconciliations each month by the due date stated in the new policy.

Thank you for providing an opportunity to respond to the audit finding. Please feel free to contact Mrs. Carmichael at tracy.carmichael@fletcher.edu or (985)448-7991, should you have any questions.

Sincerely,



Kristine H. Strickland, Ph.D.

Chancellor

August 7, 2023

Michael J. “Mike” Waguespack, CPA
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Fletcher Technical Community College concurs with the finding of “Weakness in Controls over Accounts Receivable and Payables”. Fletcher’s current policy encourages the write-off of uncollectible accounts on a fiscal year end basis. However, the definition of an uncollectible account in this policy was not definitive and caused a delay in the application of the write-off policy.

Fletcher has updated its current policy to ensure that uncollectible accounts are identified and submitted for write off consistently and within a reasonable amount of time. The updates are as follows:

- 1) An account is deemed uncollectible when the account is past due for two years.
- 2) Those accounts deemed uncollectible by the end of the fiscal year will be written off annually.

Prior to the preparation of the annual financial report, the Director of Accounting and Business Services will review the account receivable balances to identify the uncollectible accounts. The Director will then prepare a detailed list containing the accounts and balances to be written off. The Assistant Director will apply the pay code WOF1 to each account to write off the uncollectible balance and place a Write-Off Hold on each account.

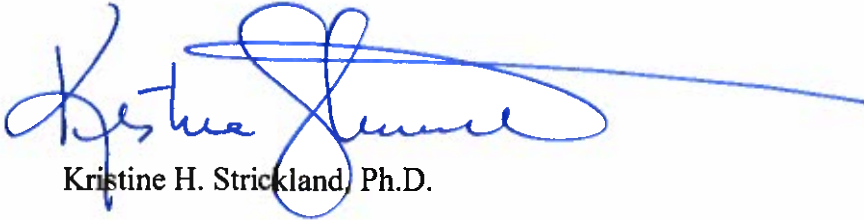
In addition to reviewing uncollectible receivables, the Director of Accounting and Business Services will also be responsible for reviewing all other receivable and payable balances prior to the preparation of the annual financial report. Any balances not supported by current activity will be researched and resolved prior to the close of the fiscal year.

As stated in the finding, Fletcher has already taken steps to write off the accounts deemed uncollectible, as well as make the necessary corrections to resolve the receivable and payable balances that were either stagnant or inaccurate prior to the close of the current fiscal year.

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Houma, LA 70360

Thank you for providing an opportunity to respond to the audit finding. Please feel free to contact the Director of Accounting and Business Services, Mrs. Tracy Carmichael at tracy.carmichael@fletcher.edu or (985)448-7991, should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kristine Strickland", with a long horizontal flourish extending to the right.

Kristine H. Strickland, Ph.D.
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the L.E. Fletcher Technical Community College (FTCC) for the period from July 1, 2021, through June 30, 2023. Our objective was to evaluate certain controls FTCC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is 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 FTCC's Annual Financial Reports, and accordingly, we do not express an opinion on those reports. FTCC's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated FTCC'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 FTCC.
- Based on the documentation of FTCC's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to cash, accounts receivable and payable, movable property, student tuition and fee revenues, payroll and personnel expenses, and contract expenses.
- We compared the most current and prior-year financial activity using FTCC's Annual Financial Reports and/or system-generated reports to identify trends and obtained explanations from FTCC's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at FTCC, and not to provide an opinion on the effectiveness of FTCC'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.