

LOUISIANA DELTA COMMUNITY COLLEGE

LOUISIANA COMMUNITY AND TECHNICAL
COLLEGE SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued November 30, 2022

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Louisiana Delta Community College



November 2022

Audit Control # 80220063

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2022, we performed procedures at Louisiana Delta Community College (LDCC) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of LDCC's internal controls over financial reporting and compliance; and determine whether LDCC complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding included in the prior report.

Results of Our Procedures

Follow-up on Prior-report Finding

Our auditors reviewed the status of the prior-report finding included in LDCC's management letter dated November 25, 2020. We determined that management has resolved the prior-report finding related to *Inadequate Controls over Banner System*.

Current-year Finding

Inaccurate Annual Fiscal Report

LDCC submitted an inaccurate Annual Fiscal Report (AFR) to the System that contained errors requiring adjustments:

- Scholarship allowances as reported on the Statement of Revenues, Expenses, and Changes in Net Position was overstated by \$4,892,251, and scholarship and fellowship expenses were understated by \$4,892,251.
- Student tuition and fees as reported on the Statement of Revenues, Expenses, and Changes in Net Position were overstated by \$651,859, and federal revenues were understated by \$651,859.

- Cash receipts from student tuition and fees were understated by \$4,240,392; payments for scholarships and fellowships were understated by \$4,892,251; and COVID federal receipts were understated by \$651,859, as reported on the Statement of Cash Flows.

These errors occurred because management did not perform an adequate review of the AFR, which was prepared by a contracted CPA. Failure to properly compile and review the AFR increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Good internal control over financial reporting should include adequate procedures to record, process, and transmit financial data needed to prepare an accurate and complete AFR. In addition, controls should include a review process that will identify preparation errors and correct those errors before submitting the AFR to be included in the System's AFR.

LDCC management should perform a thorough review of the AFR to identify and correct errors before submitting it to the System. Management did not concur with the finding (see Appendix A).

Financial Statements – Louisiana Community and Technical College System

As a part of our audit of the System's financial statements for the year ended June 30, 2022, we considered LDCC's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Net Position – *Investment in Capital Assets, Restricted-Nonexpendable, Restricted-Expendable, and Unrestricted*

Statement of Revenues, Expenses, and Changes in Net Position

Expenses – *Education and General*

Based on the results of these procedures on the financial statements, we reported a finding related to an Inaccurate Annual Fiscal Report, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KVL:CR:RR:EFS:aa

LDCC2022

APPENDIX A: MANAGEMENT'S RESPONSE



LOUISIANA DELTA
COMMUNITY COLLEGE

OFFICE OF THE CHANCELLOR

November 14, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inaccurate Annual Fiscal Report

Louisiana Delta Community College does not concur with the finding "*Inaccurate Annual Fiscal Report.*" Two audit adjustments were issued related to this finding, both of which were reclassifications and did not impact total net position. The College concurs with the adjustments for the classification errors but does not consider the adjustments to be a reportable finding.

Scholarship allowances were overstated and scholarship and fellowship expenses were understated in the original submission of the Annual Fiscal Report (AFR) to the Louisiana Community and Technical College System (System). The total net effect on the Statement of Revenues, Expenses, and Changes in Net Position for this adjustment was zero. The College's financial statements were updated and resubmitted to the System before completion of the System AFR. Therefore, an adjustment was not needed at the System level. COVID-19 funds for student aid were originally classified as a decrease in tuition and fees (revenue) instead of payments for scholarship and fellowship (expense). The net effect on Cash Flow from Operating Activities as reported on the Statement of Cash Flows was also zero for this reclassification.

The overstatement of student tuition and fees and understatement of COVID-19 federal receipts was due to the misclassification of COVID-19 funds for student debt discharge. The total net effect on the Statement of Revenues, Expenses, and Changes in Net Position for this adjustment was zero. COVID-19 funds for student debt discharge were originally classified as a decrease in COVID-19 federal funding receipts but should have been a decrease in tuition and fees. The adjustment decreased Cash Flows from Operating Activities and increased Cash Flows from Non-Capital Financing Activities for the same amount. However, the net effect on Statement of Cash Flows was zero. The College considers this an immaterial adjustment as it totals less than 4% of total cash and cash equivalents.

C O U R A G E . A T T I T U D E . K N O W L E D G E .

The College is committed to presenting accurate and reliable information for all reporting purposes. The adjustments have been reviewed, and the Vice Chancellor of Finance and Administration, Naomi Mitchell, will ensure processes are in place to review data and identify possible errors prior to submission of the AFR to the System. In addition, a new Comptroller position has been advertised and will be utilized as a second level reviewer.

Should you need anything further, please contact Naomi Mitchell, Vice Chancellor of Finance and Administration, at (318) 345-9150.

Respectfully,



Dr. Randy Esters
Chancellor

cc: Naomi Mitchell, Vice Chancellor of Finance and Administration

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana Delta Community College (LDCC) for the period from July 1, 2021, through June 30, 2022, to provide assurances on financial information significant to the Louisiana Community and Technical College System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana for the year ended June 30, 2022.

- We evaluated LDCC'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 LDCC.
- Based on the documentation of LDCC's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinion on the System's financial statements.
- We compared the most current and prior-year financial activity using LDCC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LDCC's management for significant variances.

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

We did not audit or review LDCC's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. LDCC's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.