

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Delta Community College
Louisiana Community and
Technical College System
State of Louisiana
West Monroe, Louisiana

December 18, 2002



Financial and Compliance Audit Division

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

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. "Tom" Schedler, Chairman
Representative Edwin R. Murray, Vice Chairman

Senator Robert J. Barham
Senator Foster L. Campbell, Jr.
Senator Lynn B. Dean
Senator Willie L. Mount
Representative Rick Farrar
Representative Victor T. Stelly
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Forty-six copies of this public document were produced at an approximate cost of \$156.40. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
West Monroe, Louisiana

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2002

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 and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

December 18, 2002

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2002

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		2
Basic Financial Statements:		
Statement of Net Assets	A	4
Statement of Revenues, Expenses, and Changes in Net Assets	B	5
Statement of Cash Flows	C	6
Notes to the Financial Statements		7
	Exhibit	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A	
	Appendix	
Management's Corrective Action Plans and Responses to the Findings and Recommendations	A	



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 4, 2002

Independent Auditor's Report
on the Financial Statements

LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
West Monroe, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Delta Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Delta Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Delta Community College as of June 30, 2002, and the changes in its financial position, including cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. However, management did not include this information in the financial statements for the fiscal year ended June 30, 2002.

As discussed in note 1-A to the financial statements, the Louisiana Delta Community College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB No. 35, for fiscal year ended June 30, 2002.

LEGISLATIVE AUDITOR

LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Audit Report, June 30, 2002

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2002, on our consideration of the Louisiana Delta Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

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

Daniel G. Kyle, CPA, CFE
Legislative Auditor

WMS:WJR:PEP:dl

[LDCC02]

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2002**

ASSETS

Current assets:

Cash (note 2)	\$116,527
Receivables, net (note 3)	2,488
Due from state treasury	3,176
Inventories	688
Total current assets	<u>122,879</u>

Noncurrent assets - capital assets, net (note 4)

	<u>171,047</u>
--	----------------

 Total assets

293,926

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 5)	153,145
Due to state treasury (note 11)	16,003
Deferred revenues	11,503
Compensated absences payable (note 6)	7,819
Total current liabilities	<u>188,470</u>

Noncurrent liabilities - compensated
absences payable (note 6)

	<u>70,372</u>
--	---------------

 Total liabilities

258,842

NET ASSETS

Investment in capital assets	171,047
Unrestricted	<u>(135,963)</u>

 Total net assets

\$35,084

The accompanying notes are an integral part of this statement.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Assets
For the Fiscal Year Ended June 30, 2002**

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$92,888)	\$141,811
State and local grants and contracts	6,508
Total operating revenues	<u>148,319</u>

OPERATING EXPENSES

Educational and general:	
Instruction	440,291
Academic support	110,303
Student services	172,421
Institutional support	1,040,099
Operations and maintenance of plant	13,954
Depreciation	42,770
Scholarships and fellowships	39,075
Other operating expenses	101,119
Total operating expenses	<u>1,960,032</u>

OPERATING LOSS (1,811,713)

NONOPERATING REVENUES (Expenses)

State appropriations	1,675,460
Other nonoperating expenses	(11,003)
Net nonoperating revenues	<u>1,664,457</u>

Loss before contributions (147,256)

Capital grants and gifts 182,340

INCREASE IN NET ASSETS 35,084

NET ASSETS - BEGINNING OF YEAR NONE

NET ASSETS - END OF YEAR \$35,084

The accompanying notes are an integral part of this statement.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$133,731
Payments to suppliers	(504,799)
Payments for utilities	(27,171)
Payments to employees	(949,343)
Payments for benefits	(184,874)
Other receipts	5,000
Net cash used by operating activities	<u>(1,527,456)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State appropriations	1,675,460
----------------------	-----------

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Purchases of capital assets	<u>(31,477)</u>
-----------------------------	-----------------

Net increase in cash 116,527

Cash at the beginning of the year NONE

Cash at year-end \$116,527

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:**

Operating loss	(\$1,811,713)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	42,770
(Increase) in accounts receivable, net	(5,664)
(Increase) in inventories	(688)
Increase in accounts payable	158,145
Increase in deferred revenue	11,503
Increase in compensated absences	78,191

Net cash used by operating activities (\$1,527,456)

Noncash, Noncapital Financing Transactions

The college provided noncash scholarships totaling \$92,888.

Noncash, Capital Financing Transactions

The college received a capital transfer of \$182,340 in equipment.

The accompanying notes are an integral part of this statement.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2002

INTRODUCTION

Louisiana Delta Community College is a publicly supported institution of higher education. The college is a component unit of the State of Louisiana, within the executive branch of government. The college was enacted under Louisiana Revised Statute (R.S.) 17:3225 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the college and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents for Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

Louisiana Delta Community College is located in West Monroe, Louisiana, and serves as a cultural and educational center for northeast Louisiana. The college offers associate degrees in the areas of liberal arts, general science, general studies, and business technology. Student enrollment was 233, 252, and 89, respectively, during the fall, spring, and summer semesters of fiscal year 2002. The college had approximately 5 full-time faculty, 18 full-time staff, and 36 part-time adjunct instructors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Louisiana, Delta Community College is required to adopt GASB Statement Nos. 34 and 35, as amended by GASB Statement Nos. 36, 37, and 38. The financial statement presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Louisiana Delta Community College is a publicly supported institution of higher education within the state and is a college within the Louisiana Community and Technical College System. The Louisiana Community and Technical College System is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the college primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Delta Community College.

Annually, the Louisiana Community and Technical College System and the State of Louisiana issue basic financial statements, which include the activity contained in the accompanying financial statements. These financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the Delta Community College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The college has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution has elected to not apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive branches of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

(1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories are recorded as expenditures at the time of purchase.

E. CASH

Cash includes cash on hand, demand deposits, and cash held in the state treasury. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. INVENTORY

Inventories are valued at the lower of cost or market on the cost basis. The college uses a periodic inventory system and accounts for its inventories using the consumption method.

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the college's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 3 to 10 years for most movable property. The college has no land, infrastructure, buildings, or library books that require capitalization.

H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees prior to the end of the fiscal year but are related to the subsequent accounting period.

I. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

J. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

K. NET ASSETS

Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

- (a) Invested in capital assets, net of related debt - consists of the college's total investment in capital assets, net of accumulated depreciation. The college does not have any outstanding debt obligations related to acquisitions, construction, or improvement of these capital assets.
- (b) Unrestricted net assets - consists of resources derived from student tuition and fees and state appropriations. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the college's policy is to first apply the expense toward unrestricted resources, then toward restricted resources. However, the college had no resources classified as restricted during the 2002 fiscal year.

**LOUISIANA DELTA COMMUNITY COLLEGE
 LOUISIANA COMMUNITY AND
 TECHNICAL COLLEGE SYSTEM
 STATE OF LOUISIANA**
 Notes to the Financial Statements (Continued)

L. CLASSIFICATION OF REVENUES

The college has classified its revenues as either operating or nonoperating according to the following criteria:

- (a) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; and (2) most state and local grants and contracts.
- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions and state appropriations.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the college and the amount that is paid by students and/or third parties making payments on the students' behalf.

2. CASH

At June 30, 2002, the college has cash (book balances) totaling \$116,527. A summary of the college's cash follows:

Cash held in the state treasury	\$114,096
Demand deposits	2,331
Petty cash	<u>100</u>
 Total	 <u><u>\$116,527</u></u>

Under state law, all deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2002, the college has \$15,185 in deposits (collected balances). These deposits are secured from risk by \$15,185 of federal deposit insurance (GASB Category 1).

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

Included in cash is cash available to the college within the state treasury totaling \$114,096. These amounts are secured by fiscal agent banks established by the state treasury independent of the college.

3. RECEIVABLES

Receivables are shown on Statement A net of an allowance for doubtful accounts at June 30, 2002. These receivables are composed of the following:

<u>Type</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable (Net)</u>
Student tuition and fees	\$24,798	\$22,929	\$1,869
State and private grants and contracts	619		619
Total	<u>\$25,417</u>	<u>\$22,929</u>	<u>\$2,488</u>

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Capital assets, being depreciated - equipment		\$213,817		\$213,817
Less accumulated depreciation for equipment		<u>(42,770)</u>		<u>(42,770)</u>
Capital assets, net	<u>NONE</u>	<u>\$171,047</u>	<u>NONE</u>	<u>\$171,047</u>

The capitalization policy of the State of Louisiana, Division of Administration, Office of Statewide Reporting and Accounting Policy is to include only those assets with an original acquisition cost of \$5,000 or more in the balance of fixed assets on which depreciation is calculated. GASB Statement No. 34 requires the recognition of depreciation expense and accumulated depreciation on fixed assets.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

5. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2002, are as follows:

Vendors	\$105,641
Salaries and benefits	<u>47,504</u>
Total	<u><u>\$153,145</u></u>

6. COMPENSATED ABSENCES

At June 30, 2002, employees of the college have accumulated and vested annual, sick, and compensatory leave benefits of \$67,421, \$7,884, and \$2,886, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. At June 30, 2002, the college estimates that \$78,191 of the accrued compensated absences liability will be paid from State of Louisiana General Fund appropriations to the college in years subsequent to June 30, 2002, rather than from funds of the Louisiana Community and Technical College System. The college has estimated \$7,819 of the compensated absences payable to be a current liability.

7. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems; employee benefits vest with TRS after five years of service and with LASERS after ten years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446, and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Funding Policy. The contribution requirements of plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRS and 13% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the college, funds the college's employer contribution. The college's employer contributions to TRS and LASERS for the year ended June 30, 2002, were \$56,799 and \$20,460, respectively.

8. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid colleges and universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the college are 13.1% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled \$41,073 and \$23,869, respectively, for the year ended June 30, 2002.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

**9. CONTINGENT LIABILITIES AND
RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The college is not involved in any lawsuits at June 30, 2002.

10. OPERATING LEASES

For the year ended June 30, 2002, the total rental expenditure for operating leases is \$8,817. At June 30, 2002, the college has no capital leases or operating leases with future minimum annual rental payments that have initial or noncancelable lease terms in excess of one year.

11. DUE TO STATE TREASURY

As shown on Statement A, the college has \$16,003 due to the state treasury at June 30, 2002. This amount consists of \$11,003 of unexpended appropriation and \$5,000 of cash advances used for the Imprest Fund.

12. DEFERRED COMPENSATION PLAN

Certain employees of Louisiana Delta Community College participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 4, 2002

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Basic Financial Statements
Performed in Accordance With *Government Auditing Standards*

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
West Monroe, Louisiana**

We have audited the financial statements of Louisiana Delta Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana Delta Community College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Delta Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters described on the following pages involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the college's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 4, 2002

Page 2

**Control Weaknesses Relating to
Payroll and Personnel Transactions**

Louisiana Delta Community College does not have adequate policies and procedures in place to ensure that payroll transactions are properly authorized and that valid transactions have been correctly entered into the Human Resource component of the state's centralized accounting system, the Integrated Statewide Information System (ISIS/HR). Good internal control provides for clear segregation of duties and timely review of payroll and personnel transactions to ensure that data are accurate and reliable and that errors and/or fraud may be detected in a timely manner. For the period July 1, 2001, through March 31, 2002, payroll and related benefit expenditures totaled \$1,115,630 or 72% of total expenditures for the college.

Our review of the personnel and payroll procedures disclosed the following deficiencies:

- The director of accounting and payroll can create a new position and enter a new employee, make current and retroactive changes to pay rates, and input time sheet data. In addition, the director prepares the reconciliation of payroll expenditures between the ISIS/HR System and the Advantage Financial System (general ledger).
- Management has not assigned the review of payroll and personnel transactions entered into the ISIS/HR System to a knowledgeable employee that is independent of the payroll and personnel functions.

Management has not placed sufficient emphasis on developing and implementing the controls necessary over its payroll and personnel functions. As a result, errors and/or fraud could occur and not be detected timely.

Louisiana Delta Community College should develop and implement policies and procedures that ensure an adequate segregation of duties in the payroll and personnel functions. The procedures should require an independent reconciliation of payroll expenditures to the general ledger and an independent review of transactions processed in the ISIS/HR System. Management should periodically monitor these controls to ensure that they are operating as intended and providing the expected results. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

**LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 4, 2002

Page 3

Segregation of Duties Does Not Exist for Receipts Cycle

Louisiana Delta Community College does not have the necessary policies and procedures to ensure that all tuition and fee revenues are collected, deposited timely, and properly recorded in its accounting records. Good internal control requires a separation of the billing, collecting, depositing, and recording functions to safeguard the assets, to ensure that accounting data are both accurate and reliable, and to ensure that errors and/or fraud are detected in a timely manner.

Our review of controls over the billing, collecting, depositing, and recording functions disclosed the following deficiencies:

- One employee bills students and third parties for tuition and fees, collects the payment, issues receipts, prepares and makes bank deposits, posts payments, and makes adjustments to student receivable accounts. There is no independent reconciliation or reasonableness test performed for tuition and fee collections.
- The college does not have formal written policies or procedures for maintaining student receivable accounts, establishing an allowance for doubtful accounts, or writing off uncollectible amounts.

Management has not developed and implemented adequate controls over these accounting functions. Consequently, there is an increased risk that errors and/or fraud could occur and not be detected timely.

Louisiana Delta Community College management should develop and implement formal written policies and procedures to ensure adequate separation of duties for the billing, collecting, depositing, and recording functions. These procedures should include a reasonableness test or reconciliation of tuition and fee revenues to enrollment data. Finally, the college should develop formal written policies and procedures for establishing an allowance for doubtful accounts, writing off or adjusting student accounts, and collecting outstanding student receivables. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 3).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial

LEGISLATIVE AUDITOR

LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Compliance and Internal Control Report

December 4, 2002

Page 4

reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described previously are material weaknesses.

This report is intended solely for the information and use of Louisiana Delta Community College and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

WMS:WJR:PEP:dl

[LDCC02]

Appendix A

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



"COME GROW WITH US AT DELTA"

OFFICE OF THE CHANCELLOR
PO BOX 1677, WEST MONROE LA. 71294-1677
318-362-5310
deltacc@lctcs.state.la.us

June 17, 2002

Dr. Daniel G. Kyle, CPA, CFE, Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Please find herein our response to your findings related to the audit of Louisiana Delta Community College (LDCC):

Control Weaknesses Relating to Payroll and Personnel Transactions

Management's Response

LDCC agrees with the audit findings and recommendations.

Corrective Action Plan

Names of the Contact Persons Responsible for Corrective Action:

Carol Coltharp, Vice Chancellor of Administrative Affairs
Glenn Roscoe, Dean of Financial/Administrative Affairs

Corrective Action Planned:

From February 19, 2002 through April 30, 2002, the College did not have a Director of Human Resources. Director of Accounting and Payroll assumed some of the duties of personnel and payroll functions since he was the only employee trained and certified by Integrated Statewide Information System/Human Resources (ISIS/HR). LDCC hired the Director of Human Resources on May 1, 2002. The College is in the process of converting from ISIS to PeopleSoft administrative software system for management of HR/payroll transactions effective July 1, 2002. The College is in the process of developing and implementing policies and procedures that ensure an adequate segregation of duties in the payroll and personnel functions. The Accountant Technician will perform an independent reconciliation of payroll expenditures to the general ledger. Vice Chancellor of Administrative Affairs or Dean of Financial/Administrative Affairs will perform independent review of transactions processed in the ISIS/HR or PeopleSoft systems.

Dr. Daniel G. Kyle
Page 2
June 17, 2002

Anticipated Completion Date: August 5, 2002

Should you have any questions or need additional information regarding our response, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn Kreider". The signature is fluid and cursive, written over a light blue horizontal line.

Dr. Lynn Kreider
Chancellor

cc: Carol Coltharp, Vice Chancellor of Administrative Affairs
Glenn Roscoe, Dean of Financial/Administrative Affairs
Ranzie Douthit, Director of Accounting and Payroll
Wendi Travis, Director of Human Resources

response to finding - payroll 2002.doc



"COME GROW WITH US AT DELTA"

OFFICE OF THE CHANCELLOR
PO BOX 1677, WEST MONROE LA. 71294-1677
318-362-5310
deltacc@lctcs.state.la.us

June 17, 2002

Dr. Daniel G. Kyle, CPA, CFE, Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Please find herein our response to your findings related to the audit of Louisiana Delta Community College (LDCC):

Segregation of Duties Does Not Exist for Receipts Cycle

Management's Response

LDCC agrees with the audit findings and recommendations.

Corrective Action Plan

Names of the Contact Persons Responsible for Corrective Action:

Glenn Roscoe, Dean of Financial/Administrative Affairs
Ranzie Douthit, Director of Accounting/Payroll

Corrective Action Planned:

LDCC hired an Administrative Analyst on May 27, 2002 to assist with collection of tuition and fees. The institution is changing its procedure to ensure separation of duties so that no one employee will have total control over the functions regarding the student receivables accounts. The Administrative Analyst will be responsible for a reasonableness test or reconciliation of tuition and fees revenues to enrollment data after the official 14th class day for fall/spring semester or the equivalent for the summer session(s). The College is in the process of developing written policies and procedures for establishing an allowance for doubtful accounts, writing-off or adjusting student accounts, and collecting outstanding student receivables.

Dr. Daniel G. Kyle
Page 2
June 17, 2002

Anticipated Completion Date: July 1, 2002

Should you have any questions or need additional information regarding our response, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn Kreider", written in a cursive style.

Dr. Lynn Kreider
Chancellor

cc: Glenn Roscoe, Dean of Financial/Administrative Affairs
Ranzie Douthit, Director of Accounting and Payroll

response to finding - seg of duties 2002.doc