

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Technical College,
Delta-Ouachita Campus
Department of Education
Board of Elementary and
Secondary Education
State of Louisiana
West Monroe, Louisiana



July 18, 1987



Financial and Compliance Audit Division

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

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DELTA-DIACHETA CAMPUS
DEPARTMENT OF EDUCATION
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STATE OF LOUISIANA
West Monroe, Louisiana**

**Management Letter
Dated June 30, 1997**

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

July 18, 1997



DANIEL S. KRUMHOLTZ, CPA, CFE
LEGISLATIVE AUDITOR

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June 10, 1997

**LOUISIANA TECHNICAL COLLEGE,
DELTA-QUACHITA CAMPUS
DEPARTMENT OF EDUCATION
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA
West Monroe, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1997, we conducted certain procedures at Louisiana Technical College, Delta-Quachita Campus. Our procedures included (1) a review of the technical college's internal control structure; (2) tests of financial transactions for the years ending June 30, 1997, and June 30, 1996; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1997, and June 30, 1996; and (4) a review of compliance with prior report recommendations.

The Annual Fiscal Reports of Louisiana Technical College, Delta-Quachita Campus were not within the scope of our procedures, and, accordingly, we do not express an opinion or any other form of assurance on those reports. The Louisiana Technical College, Delta-Quachita Campus 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 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 to the Regional Management Center II, Monroe, dated August 2, 1995, we reported one finding specific to the Delta-Quachita Campus relating to payroll controls. That finding has not been resolved by management and is included again in this report.

Based upon 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 Controls and Noncompliance
with Movable Property Regulations**

Louisiana Technical College, Delta-Duachita Campus failed to maintain adequate control procedures over movable property to ensure compliance with laws and regulations as prescribed by the Commissioner of Administration and Louisiana Revised Statutes (R.S.) 39:321-332. A good internal control structure requires that adequate control procedures be in place to ensure that (1) acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; (2) location of all movable items is monitored and updated frequently; and (3) amounts recorded in the financial statements are materially correct. In addition, the internal controls should ensure that movable property is properly safeguarded against loss arising from unauthorized use and that errors in processing transactions are recognized and corrected timely. These internal controls have been set in writing by the Commissioner of Administration as part of the state property control regulations as provided by R.S. 39:326. Out of 17 items tested, two items were not in their listed locations, one item had the wrong tag number, one item was not tagged, and one item was not tagged nor on the inventory listing.

Failure to follow the state property control regulations could result in errors and irregularities and sanctions resulting in loss of performance bond and restriction from purchases of equipment. The technical college has accountability for 1,371 items of movable property valued at \$2,594,032.

Louisiana Technical College, Delta-Duachita Campus should take necessary measures to ensure that it maintains adequate internal accounting controls over movable property to ensure compliance with state movable property regulations. In a letter dated April 11, 1987, Mr. Irving D. Adkins, Director, concurred with the finding and stated that a complete audit of all movable property will be conducted and all discrepancies will be corrected. In addition, all school personnel entrusted with movable property will be informed of the property control regulations and their responsibilities for implementing the regulations.

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EDP Controls - Incompatible Functions

Louisiana Technical College, Delta-Couachita Campus does not have adequate internal control procedures over access to the Advanced Governmental Purchasing System (AGPS) and the Governmental Financial System (GFS). A good internal control structure provides for adequate segregation of duties so that no one employee would be in a position to both initiate and conceal errors or irregularities. A good internal control structure also allows system access to only those employees with legitimate business needs. In our test of access controls, we identified the following weaknesses:

1. One employee, who was the agency security administrator with access to security files, could create, modify, and approve documents in the GFS. This employee could also enter new vendors, purchase requisitions, purchase orders, and receiving reports as well as process invoices and approve payments in the AGPS.
2. Two employees could enter new vendors, purchase requisitions, purchase orders, and receiving reports as well as process invoices and approve payments in the AGPS. One of these employees could also create, modify, and approve certain documents in the GFS.
3. One employee could enter new vendors, purchase requisitions, purchase orders, and receiving reports as well as process invoices in the AGPS.
4. One employee could enter purchase requisitions, purchase orders, and receiving reports as well as process invoices in the AGPS. This employee could also create, modify, and approve certain documents in the GFS.
5. Two employees had unnecessary access to the AGPS. Their jobs do not require them to perform any purchasing or accounting functions in the AGPS. One of the employees could enter purchase requisitions, purchase orders, and receiving reports as well as process invoices and approve payments in the AGPS. The other employee could enter purchase requisitions, purchase orders, and receiving reports, as well as process invoices in the AGPS. These employees could also create, modify, and approve certain documents in the GFS.

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The technical college's security administrator assigned incompatible functions to system users as well as unnecessary access to two employees. Inadequate segregation of duties and unnecessary system access increases the risk that errors or irregularities could occur and not be detected in a timely manner.

The security administrator should carefully monitor access to the AGPS to ensure access is restricted to only those functions necessary to complete the employee's assigned tasks without creating an inadequate segregation of duties. The security administrator function should be limited to a supervisor who does not have responsibility for data entry or approval. In a letter dated April 11, 1997, Mr. Irving D. Atkins, Director, concurred with the finding and stated that the incompatible functions would be corrected by reassigning duties of employees who have access to AGPS and GPS.

Inadequate Controls Over the Payroll Function

For the second consecutive audit, Louisiana Technical College, Delta-Quachita Campus failed to provide adequate internal controls over its payroll function to ensure proper segregation of duties and compliance with laws and regulations. An adequate system of internal control provides for the segregation of duties such that one person would not be placed in a position to both initiate and conceal errors or irregularities in the normal course of their duties. In addition, adequate controls and Louisiana Department of State Civil Service Rule 15.5 require daily attendance and leave records be maintained to justify the certification of authorized leave of absence with pay. We observed the following noncompliance and weaknesses during our test of payroll controls and/or transactions:

1. Only two employees from our sample of nine nonexempt classified employees were getting compensatory time at the correct time and one-half rate in accordance with the Fair Labor Standards Act as the technical college failed to comply with Civil Service Rule 6.20(a).
2. The accountant 2 prepares all payroll changes, such as additions and deletions, to the Uniform Payroll System (UPS) without subsequent review by an employee not involved in payroll preparation. In addition, the timekeepers perform an incompatible function because the same employee who keys in the time and leave also reviews the UPS reports and verifies the data input into the system.

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3. Out of a sample of 40 required leave slips, 3 leave slips were not in the payroll files.

Payroll expenditures for the technical college totaled \$1,800,829 for the year ended June 30, 1996, and \$1,212,251 for the period of July 1, 1996, to February 28, 1997. Failure to provide adequate internal accounting control and failure to follow established control procedures over the payroll functions elevates the risk that errors and/or irregularities could occur and not be detected timely. This could cause noncompliance with state and federal laws and regulations.

Management should implement internal control procedures to ensure the segregation of payroll functions and to comply with all state and federal laws and regulations. In a letter dated April 11, 1997, Mr. Irving D. Adkins, Director, concurred with the finding and stated that the technical college will research all payrolls for fiscal year 1996 and 1997, and make corrections for all non-exempt employees who were eligible to receive time and one-half, but only received straight time. Mr. Adkins further stated that segregation of duties will be established for the UPS payroll functions, and that annual and sick leave slips will be requested and approved prior to the payroll entry, checked against the payroll sheets, and attached to the payroll sheets.

Inadequate Purchasing Procedures

Louisiana Technical College, Delta Guachita Campus has not provided adequate internal controls nor has it adhered to Division of Administration policy and procedures or state regulations in its purchasing function. A good internal control structure requires that adequate control procedures be in place to minimize the risk that unauthorized purchases and inappropriate vendor payments could be made. Division of Administration, Office of Statewide Reporting and Accounting Policy, Memorandum 95-37 defines appropriate AGPSI procedures and requires agencies to process all purchases through the system.

LEGISLATIVE ADDRESS

LOUISIANA TECHNICAL COLLEGE,
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Our review of 15 transactions revealed the following:

- Two purchases were made without purchase requisitions.
- One purchase was made without an approved purchase order.
- Three vendor payments were issued without a receiving report or shipping document.
- AGPS is not used properly to initiate and record purchasing transactions.

Management's failure to maintain adequate controls over the issuance of purchase orders and vendor payments increases the risk that unauthorized purchases and inappropriate vendor payments could be made. Improper use of AGPS increases the risk that purchases may be recorded incorrectly in the accounting system.

Louisiana Technical College, Delta-Quaschita Campus should obtain approved purchase requisitions before making any purchase. All purchase orders should be signed by an authorized member of management. A signed receiving report or shipping document should be obtained before issuing payments to vendors. The AGPS should be used appropriately by following the procedures established by the Division of Administration. The technical college should ensure that personnel are provided with adequate training for processing documents through the state purchasing system (AGPS). In a letter dated April 10, 1997, Mr. Irving H. Adams, Director, concurred with the finding and stated that approved purchase requisitions will be required and employees will be informed of the requirements of purchase requisitions described in the technical college personnel and safety manual, all manual and AGPS purchase orders will require management approval, a signed receiving report or shipping document will be required before making vendor payments, and AGPS training will be provided to those employees using the system.

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

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:MMW:d

6/10/97