

# 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 14, 1999



***Financial and Compliance Audit Division***

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

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

**Management Letter  
Dated May 19, 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 and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

July 14, 1999



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May 19, 1999

**LOUISIANA TECHNICAL COLLEGE,  
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As part of our audit of the State of Louisiana's financial statements for the two years ended June 30, 1999, we conducted certain procedures at Louisiana Technical College, Delta-Ouachita Campus. Our procedures included (1) a review of the technical college's internal control; (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, Delta-Ouachita Campus are not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on those 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 and selected 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 then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our management letter on the technical college for the year ended June 30, 1997, we reported the following findings: EDP Controls - Incompatible Functions; Inadequate Internal Controls and Noncompliance With Movable Property Regulations; Inadequate Controls Over the Payroll Function; and Inadequate Purchasing Procedures. The finding relating to EDP controls has been resolved by management. The other findings have not been resolved by management and are included again in this report.

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 Controls Over Payroll**

Louisiana Technical College, Delta-Ouachita Campus does not have adequate controls over its payroll function. Civil Service Rule 15.2 requires each employee and supervisor to certify the time and attendance reports for the number of hours of attendance or absence from duty. Audit procedures disclosed that employees do not always provide leave slips for leave taken nor does the sign-in sheet show the actual hours worked, hours of leave taken, or hours of compensatory leave earned. The following matters were noted:

- Eight out of 222 leave slips (3% error rate) could not be located.
- Fifty out of 218 entries (22.9% error rate) on the sign-in sheets did not reflect actual hours worked, leave taken, or leave earned.
- Two out of 13 (15.3% error rate) forms for documenting compensatory leave earned were not signed by the employee and the sign-in sheet did not reflect the actual hours worked for the compensatory leave earned.
- Six out of 52 (11.5% error rate) sign-in sheets for students were not signed and/or dated.

Management has not placed sufficient emphasis on adequate and complete review of all time and attendance records before approval. Failure to provide an effective system of internal control and failure to follow established control procedures over the payroll function increases the risk that inaccurate, unsupported, or fraudulent payroll data could be entered and processed.

Management should emphasize the importance of good internal control policies and procedures. Such policies and procedures would require signed leave slips to support the sign-in sheet; sign-in sheets that include the actual hours worked, leave taken, and compensatory leave earned; and signed compensatory time earned forms. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

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### **Noncompliance With State Movable Property Regulations**

For the second consecutive audit, Louisiana Technical College, Delta-Ouachita Campus did not have adequate internal controls to ensure that movable property is properly and accurately reported to the Louisiana Property Assistance Agency (LPAA) in compliance with state movable property regulations. The state property control regulations, defined in the Louisiana Administrative Code 34:VII.307, require all acquisitions of qualified property to be tagged and pertinent inventory information sent to LPAA within 45 days of receipt of the property. An examination of movable property purchases of \$44,985 for the period July 1, 1997, through February 1, 1999, disclosed the following exceptions:

- There were six exceptions for purchases that were not tagged or on the property listing.
- There were three exceptions for purchases that were not in the proper location.
- There were 23 exceptions for purchases that were not tagged within the 45-day time period.
- There were 17 exceptions for equipment purchases not valued correctly in the LPAA system. The net understatement for these items in LPAA records was \$666.

These conditions occurred because management has not emphasized the importance of property regulations with the property control manager. Because of these deficiencies, management cannot provide reasonable assurance that movable property is adequately safeguarded, that accountability is maintained, and that errors or fraud is detected within a timely period.

Management should develop and implement adequate internal controls over movable property to comply with state movable property regulations as prescribed by the Commissioner of Administration and Louisiana law. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

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### **Inadequate Purchasing Procedures**

For the second consecutive audit, Louisiana Technical College, Delta-Ouachita Campus does not have adequate controls over its purchasing function nor has it adhered to state purchasing laws and regulations. The Division of Administration requires most agencies to use the state's centralized purchasing system, the Advanced Governmental Purchasing System (AGPS). AGPS tracks requisitions, purchase orders, the related encumbrances, usage of each product or commodity, and the subsequent receipt and payment of the products ordered. Campus employees currently input purchasing information into AGPS only after receipt of the goods and the information is input in summary form instead of in the detail required.

A review of 10 transactions processed during July 1, 1997, through February 10, 1999, revealed the following:

- Two purchases, each over \$500, of books from a bookstore were not bid. State purchasing regulations require bids for such purchases unless the purchase is from the publisher or copyright holder. Total purchases that were not bid during the test period from this bookstore were \$49,468.
- One purchase was made without an approved purchase order. Purchase orders should be approved by management so that management can assess need for the item, can determine whether there is adequate budget available for the purchase, and can verify that proper purchasing laws and regulations have been followed.
- Three vendor payments were made without a signed receiving report or shipping document. Good internal controls require validation of receipt of the goods before payment is made. This reduces the risk that payments will be made for goods not yet received.
- One vendor payment was made without documentation of approval by someone other than the preparer of the check request. Good internal controls require approval of payments by an employee other than the one who processes those payments. This reduces the risk that payments will be made to unauthorized vendors.

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Management should emphasize the importance of purchasing control procedures that have been established. Furthermore, management should seek additional training for employees in the use of AGPS and require that the system be used as required by the Division of Administration. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

### **Cash Control Weaknesses**

Louisiana Technical College, Delta-Ouachita Campus has cash control weaknesses. Bank reconciliations are not being prepared properly and in a timely manner nor are the reconciliations being reviewed and approved by someone other than the preparer. Furthermore, the technical college's student organization bank account has not been approved by the state's Cash Management Review Board, as required by Louisiana Revised Statute 39:372. From an examination of cash bank accounts and bank reconciliations, the following conditions were noted:

- As of March 1999, the most recent bank reconciliation for the technical college's local operating account was for September 30, 1998. In a typical month, this account has both deposits and disbursements of approximately \$30,000.
- The book balance for the student organization bank account is not being reconciled to the bank balance. Although reconciliations are prepared, errors made in the reconciliation process cause the reconciliation to be inaccurate and ineffective.
- Reconciliations for two of the technical college's three bank accounts do not include the initials of the preparer nor the date that the reconciliation was prepared. Furthermore, there is no evidence of review by management.

These conditions exist because management has not placed adequate emphasis on controls over cash. As a result, errors could occur in either the bank accounts or the accounting records and would not be detected in a timely manner.

Management should ensure that bank reconciliations are performed in a timely manner. Reconciliations should include the preparer's name and the date prepared. Management should review the reconciliations, specifically reconciling items, for



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reasonableness. In addition, a request for approval for the student organization bank account should be submitted to the Cash Management Review Board. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 4).

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

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,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

FAC:MAN:DSP:ss

[LTC-DOC]

## Appendix A

# Management's Corrective Action Plan and Responses to the Findings and Recommendations



LOUISIANA TECHNICAL COLLEGE  
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May 12, 1999

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RE: INADEQUATE CONTROLS OVER PAYROLL

LTC Delta Ouachita does not have adequate controls over its payroll function, specifically time and attendance certification, leave and compensatory time slips, and verification of actual hours worked.

Response - We concur with the finding concerning inadequate payroll function controls.

Corrective Action - Director has advised faculty and staff that failure to submit leave slips may result in LWOP. Also, compensatory time cannot be earned without prior approval of Director and proper documentation.

All time and leave forms are being revised so that Kathy Ashcraft, Accounting Specialist 2, may enter time and attendance more accurately. Two employees will check time and attendance sheets for accuracy. A time clock will be installed within 30 days, and all regular employees will clock in and out.

All employees have been advised that working hours must comply with Rule 125:E.3. of Chapter C: Employee Personnel Activities; Conditions of Employment; Work Schedule, in that the LTC normal work week is 40 hours. At Delta Ouachita that will be 7:30 a.m. to 4:00 p.m. with a 30-minute lunch break.

The employee responsible for student workers has been advised that students cannot be paid until the student timesheet has been signed by the student and management.

In future, all time and attendance records will be monitored, documented, and approved in proper procedure.

Norene R. Smith, Director

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RE: NONCOMPLIANCE WITH STATE MOVABLE PROPERTY REGULATIONS

LTC Delta Ouachita does not have adequate internal controls to ensure proper and accurate reporting of movable property to the Louisiana Property Assistance Agency in compliance with state regulations.

Response - We concur with the findings concerning inadequate controls and noncompliance with state movable property regulations.

Corrective Action - Edward McCree, Assistant Director, was responsible for developing forms for instructors to complete upon receipt of new equipment and property in order to properly track and document receipt, movement, transfer, and/or disposal of equipment and property. Mr. McCree will ensure that all new equipment will be tagged upon receipt and prior to location in respective departments. In addition, all equipment will be properly identified to the current location, valued correctly, and reconciled to LPAA reports.

In future, this documentation will ensure that adequate control is maintained over movable property, and to maintain compliance with all state regulations.

Norene R. Smith, Director

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RE: INADEQUATE PURCHASING PROCEDURES

LTC Delta Ouachita does not have adequate controls over its purchasing function, nor has it adhered to state purchasing laws and regulations.

Response - We concur with the findings concerning inadequate purchasing procedures.

Corrective Action - Per Kathy Ashcraft, Accounting Specialist 2, as of May 3, 1999, all bookstore purchases over \$500 are being bid, and telephone bids are being documented.

As of May 3, 1999, all purchases will require a requisition with signed approval from Director or Assistant Director. Purchasing Agent will make purchasing decisions according to amount of purchase. All purchases over \$500, including bookstore, will be bid and documented, or purchased from publisher or state contract. Packing slips or invoices will be signed and dated by the person who requested the goods, not the Purchasing Agent. Once the Purchasing Agent has verified all paperwork is in order with proper signatures and documentation, she will prepare invoices for payment, having the Accountant supply the accounting information. The Director or Assistant Director will sign the final approval.

The Purchasing Agent will then process payments through AGPS on the ISIS system using correct procedures for commodity codes and details required. Payments will be approved on ISIS by the Accountant or Assistant Director, who will verify the accuracy of the payments, reducing the risks of unauthorized payments.

In future, all purchasing procedures will transpire according to state purchasing laws and regulations.

Norene R. Smith, Director

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RE: CASH CONTROL WEAKNESSES

LTC Delta Ouachita's bank reconciliations are not prepared properly or timely, nor are they reviewed or approved properly. The student organization bank account was not approved by the Cash Management Review Board.

Response - We concur with the finding concerning bank reconciliations and the student organization bank account.

Corrective Action - As of May 5, 1999, all bank reconciliations for the local bank account have been made by Kathy Ashcraft, Accounting Specialist 2. Reconciliation for the March statement was made April 21, 1999. All subsequent bank reconciliations will be initialed and dated by the Accountant. Review and approval of same will be done by the Director.

As of May 5, 1999, the bank balance and book balance for the student organization bank account is accurate. The book balance is now maintained in a computer program on LOTUS and is more easily reconciled to the bank statement. A request for approval of the student organization bank account has been submitted to the Cash Management Review Board.

In future, all bank statements and book balances will be properly prepared and approved in a timely manner, and in accordance with the Cash Management Review Board.

Norene R. Smith, Director

jks