



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

November 21, 2008

**LOUISIANA TECHNICAL COLLEGE - REGION 1
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Metairie, Louisiana**

We have reviewed the financial statements of Louisiana Technical College - Region 1, as of and for the year ended June 30, 2008, and have issued our accountant's review report thereon dated November 21, 2008. Louisiana Technical College - Region 1 is a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana. Louisiana Technical College - Region 1'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. A review is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

Our review of the financial statements did not disclose any transactions entered into by Louisiana Technical College - Region 1 during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to Louisiana Technical College - Region 1's financial statements or the accountant's report. No such disagreements arose during our review procedures.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Louisiana Technical College - Region 1's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist.

Based on our review referred to previously, all significant findings are included in this letter for management's consideration.

Inadequate Control Over Pell Grant Returns

Louisiana Technical College (LTC) - Region 1 has inadequate internal control over returns of overpayments of the Federal Pell Grant program (CFDA 84.063). The Code of Federal Regulations (34 CFR 668.22) requires that a refund of Pell funds be made as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. Furthermore, 34 CFR 668.21 requires that an institution return overpayments resulting from Pell checks issued but not picked up by students who subsequently withdrew, dropped out, or were expelled before the first day of class. LTC policy requires each campus to submit a void form and the original check to be voided for each student that does not pick up his/her Pell check within 30 days of the check date.

Pell refunds and returns of overpayments are initiated at the individual LTC campuses and sent to the LTC Transition Office, which then credits the Pell account and remits the funds to the U.S. Department of Education (USDOE). In a review of all Pell check voids initiated at Region 1 during fiscal year 2008, the following problems were noted:

- Of seven voided Pell checks resulting from student withdrawals, five (71%) totaling \$8,892 were not remitted to the LTC Transition Office until 70 to 270 days after the check date. As a result, the returns were not remitted to the USDOE until 138 to 287 days after the reported date of determination of the students' withdrawal for an average of 194 days.
- Of seven Pell checks voided from students not picking up their checks, five (71%) totaling \$1,382 were not remitted to the LTC Transition Office until 168 days after the check date. As a result, the returns were not remitted to the USDOE until 225 days after the checks were issued. In addition, the reported date of determination of the students' withdrawal for these voided checks was 56 days after the check issue date.

These deficiencies occurred because Region 1 personnel responsible for these transactions were unaware of the program regulations and LTC policies and management did not place sufficient emphasis on this matter. Failure to adequately control returns of Pell overpayments results in noncompliance with federal program requirements.

Region 1 management should train personnel and enforce existing policies to ensure that returns of overpayments from voided Pell checks are remitted timely to the LTC Transition Office and the USDOE. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Failure to Follow Movable Property Procedures

LTC - Region 1 failed to follow state movable property laws and regulations and internal policies and procedures relating to movable property. Good internal control requires that adequate control procedures be in place to ensure that the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; property is safeguarded against loss; and movement of items from one location to another is properly recorded. Movable property regulations as defined in Title 34, Part VII of the Louisiana Administrative Code, require all acquisitions of qualified property be tagged and pertinent information entered into the Louisiana Property Assistance Agency's (LPAA) property management system within 60 days of receipt of the property. In addition, all Region 1 employees are required to follow the Region's Faculty and Staff Manual, Section 6.5 Property Location, which outlines the policies and procedures used to record and maintain accurate inventory for all state property purchased by Region 1.

Audit procedures performed on 80 movable property items disclosed 40 exceptions as noted below:

- For eight items (10%) totaling \$28,562, removed from the asset listing, forms to remove these items from the listing were not provided to the auditors.
- Seven items (9%) totaling \$47,014 could not be located while one item valued at \$2,973 was listed as unlocated when it was not actually lost.
- Thirteen items (16%) totaling \$57,088 were not in the location listed.
- Eight items (10%) totaling \$49,011 were in poor working condition or the working condition could not be determined.
- Three items (4%) totaling \$6,248 were tagged more than 60 days after acquisition.

Of the 40 exceptions, 36 (90%) were from the LTC-West Jefferson campus. As of February 28, 2008, the last inventory certification filed with the LPAA, the campus movable property totaled \$1,867,611.

A property audit dated July 30, 2007, performed by LPAA revealed findings related to the LTC-West Jefferson campus' property records. A summary of those findings are as follows:

- 119 items of 258 (46%) selected for viewing not located
- Items not in the correct location
- At least 20 items not entered into the asset property system within 60 days of receipt, as required
- Required documents were not maintained in property files
- Failure to secure receipts from individuals for property entrusted to others
- Failure to report lost or damaged property to LPAA timely
- Failure to record the true and actual results of the physical inventory conducted for 2006
- Failure to submit property for surplus/disposal in a timely manner
- Missing, unexecuted, and/or unapproved motor vehicle forms
- Fleet forms not entered into asset management system since October 2005
- Failure to keep records or report mileage reimbursement to employees for use of private automobiles for state business

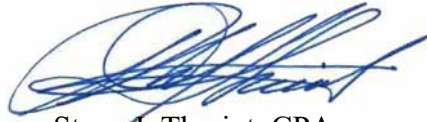
These deficiencies occurred because Region 1 personnel responsible for movable property did not exercise sufficient care in performing their duties and management failed to emphasize the importance of maintaining adequate internal control over movable property records. Failure to follow laws, regulations, policies, and procedures exposes Region 1 to possible loss, theft, reporting errors, and misuse of its assets.

Region 1 management should strengthen procedures to ensure compliance with state property laws and regulations and with internal policies and procedures relating to movable property. Management concurred with the finding and provided corrective action plans (see Appendix A, pages 2-6).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LTC - Region 1. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of LTC - Region 1 should be considered in reaching decisions on courses of action. The findings relating to LTC - Region 1's compliance with applicable laws and regulations should be addressed immediately by management.

This management letter is intended for the information and use of LTC - Region 1 and its management, others within the college, the Louisiana Community and Technical College System, and the Louisiana Legislature 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 letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

KML:JR:EFS:PEP:sr

LTCR108

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



LOUISIANA TECHNICAL COLLEGE

OFFICE OF THE PROVOST/DEAN

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Kim Rugon
Provost/Dean

November 13, 2008

Region 1

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Sidney N. Collier
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New Orleans, LA

Slidell Campus
1000 Canulette Road
Slidell, LA

West Jefferson Campus
475 Manhattan Boulevard
Harvey, LA

www.ltc.edu

Steve Theriot, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Theriot:

In response to your letter dated November 12, 2008 outlining the **Inadequate Control over Pell Grant Returns**, please find this agency's response to the finding as well as the corrective action plan to resolve the issue.

LTC-Jefferson Campus concurs with the findings of inadequate control over Pell grant returns. LTC-Jefferson Campus has actively put together a corrective action plan to ensure that we are in compliance.

The Jefferson Campus has a Business Office Liaison that works closely with the Coordinator of Financial Aid. The Coordinator of Financial Aid will provide the Business Office Liaison a copy of the Request for Payment to cut down on the verification process once the checks are received. The Coordinator will provide training which includes returning all Pell checks that are not picked up within 30 days of the printed date on the checks.

Once the checks are received, copies of the checks and the signature sheets will be provided to the Assistant Controller. The Assistant Controller will follow up with the Business Office Liaison to make sure we are in compliance with Pell grant returns.

The Coordinator of Financial Aid, Business Office Liaison, and the Assistant Controller will have a training session on November 21, 2008 that will include the findings of the audit and the implementation of the corrective plan.

Kimberly Weston, Asst. Controller, will be the contact person responsible for the implementation and monitoring of this corrective action plan.

We are committed to following all rules and regulations set forth by the State of Louisiana and the Department of Education and will continue to strive towards excellence.

If you have any additional concerns or questions, please feel free to contact me.

Sincerely,

Kim Rugon
Provost

cc Dr. Ron Wright, Chancellor
Allen Brown, Internal Auditor



LOUISIANA TECHNICAL COLLEGE

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Kim Rugon
Provost/Dean

November 10, 2008

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Slidell Instructional Service
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Slidell, LA

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475 Manhattan Boulevard
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Steve Theriot, CPA
Louisiana Legislative Auditors
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Theriot:

In response to your letter dated November 7, 2008 outlining the movable property issues at the West Jefferson Campus-Region 1, please find this agency's response to the findings as well the corrective action taken to resolve the issues.

First, as the Provost of the region I will be the primary contact person responsible for this corrective action plan. It is my goal to have this plan implemented and inventory corrected by December 1, 2008 and all fleet files will be completed by November 24, 2008.

I have responded to each bulleted finding per Knica Lloyd's request in one mailing.

Please see below:

Items not located/in incorrect location

Upon reviewing the status of the inventory on this campus, it was noted that a large amount of equipment could not be located. This was largely due to the fact that in August 2005; Hurricane Katrina devastated much of the New Orleans area. Although this campus was not directly affected by the hurricane, it did receive a large amount of damage due to a pipe bursting in Building A on the campus. This resulted in the flooding of the entire building for an undetermined amount of time.

The Department of Environmental Quality commandeered the building prior to us returning and began to gut as well as dispose of large amounts of damaged and molded equipment. They occupied our campus for eight (8) months. As a result, equipment, files and supplies were displaced and/or discarded (much was wet and molded).

Corrective Action:

On October 13, 2008, I implemented a plan to locate all equipment by taking a 100% physical inventory (please see attached plan). All employees were given a list of their inventory for their area. Employees were told to do the following:

- If the item was located, it was verified and noted on the inventory sheet.
- If an item was not located, a list was compiled and circulated throughout the school to try and locate the item.
- If the item was found in another department, it was moved back to its correct location. If it was on loan the proper paperwork was completed to show an interdepartmental transfer/loan.
- Each instructor signed off on his/her completed inventory and understands that they have full responsibility as the custodian of the property as long as it is assigned to the program.

We, then, compiled a list of all unlocated assets and began to look to see if any of these items could be found. There were two instances in which the following actions were taken:

- If the items could not be located they were added to the unlocated asset list for 2008. (It is possible that these items were items discarded by the DEQ during Katrina)
- Items that could be located but were severely damaged or contained mold, the campus submitted a request for disposal using transfer numbers 115166 and 120531 in Protégé. John Gilbeaux, Compliance Officer for LPAA, visited the region on November 10, 2008 and took pictures of the damaged equipment and is recommending it be scrapped. They should be removed from our inventory by November 14, 2008.

Entering Assets into Protégé

Because of the linkage with Delgado Community College (DCC) that occurred in March 2006, there were many kinks with purchasing and receiving equipment. At the time of the linkage, equipment was ordered through DCC and delivered to the City Park Campus. Often times, the equipment would sit in receiving because no one knew what to do with it or where it belonged. This caused delays in tagging equipment, etc.

Corrective Action:

Since that time, the region has hired its own Purchasing Agent and Business Office Liaison who are responsible for ordering all equipment and directing it to its proper location.

The following steps are followed:

- The instructor completes a Purchase Requisition and gives it to the campus Business Office Liaison (BOL). He/she then enters it into the DCC FRS computerized accounting system. The BOL gives a copy of the PR to the Property Manager putting him on alert that equipment over \$1000 has been ordered.
- The equipment will be delivered to the BOL on the respective campus and he will notify the Property Manager that it is on location. All packing slips will be copied and given to the Property Manager. The BOL will obtain the invoice from DCC's accounting department. This information will be copied and forwarded to the Property Manager to tag equipment. All equipment will be tagged 45 days after receiving.
- A copy of the invoice will be maintained at DCC in the accounting department as well as in the Campus Administrator's files.

Receipts for interdepartmental and campus to campus transfers

At the time of this audit, files could not be located for interdepartmental and campus to campus transfers. Many of the files were damaged during the flood. In December 2007 this agency contracted BMSCAT to restore damaged files; unfortunately, these files were not able to be restored. As a result, these documents were lost.

Corrective Action:

After completing the physical inventory performed in October, if an item was found in another department or at another campus the appropriate paperwork was completed immediately to show the item's new location and new custodian. (Please see the attached forms to be used in the future to track interdepartmental and campus to campus transfers). Updated copies are on file in the property manager's files.

In the future, a copy of each transfer will be maintained in the Property Manager's files as well as in the files of the Campus Assistant Dean.

Reporting Loss/damaged equipment in a timely manner

It is a practice of this administration to report all lost and damaged equipment as soon as it is discovered. Since many discrepancies have been discovered, a plan is in place to perform a quarterly physical inventory to detect items that might be missing or damaged.

Corrective Action:

As soon as an item is reported lost, each department will be asked to look for the item in his/her department immediately. If the item is not recovered, the parish police department will be notified and a report filed.

The property manager will enter the missing item into Protégé immediately.

In turn, Allen Brown, Internal Auditor for LCTCS will be notified of theft and he will communicate with the Legislative Auditors. The campus will notify Louisiana Property Assistance Agency.

Failure to record true and actual results of inventory in 2006

At the hearing held in October 2008 with LPAA officials, was the first time this administration learned that the inventory was not certified and that inaccurate information was supplied. The employee responsible for the report was written up and the following plan was implemented:

Corrective Action:

This administration could not trust the integrity of the inventory that had been submitted prior to 2008. As a result, a 100% inventory was ordered to provide a better understanding of all adjustments affecting the current inventory. Upon completion of this review, a clearer picture will be provided for acquisitions, discrepancies, transfers, surplus and scraps and we

will have a more accurate adjusted dollar amount in the inventory. As stated earlier, this will be completed by December 1, 2008.

As a system of checks and balances, all annual property certifications will be copied and sent to the Provost for approval prior to submitting to LPAA. The Provost and her team will do an internal audit of random items to assure that equipment is in place and in the correct location. Custodians of property for each department will sign stating that they have located and recorded all inventory. Copies of signature verification will be on file at the campus.

Once done, documents will be forwarded to LPAA for certification.

Once inventory has been certified by LPAA, a copy of the certification letter should be forwarded to the regional office no later than 5 days after receipt. A copy of this certification will remain on file in the Provost's office as well as on the campus.

Failure to submit property for surplus/disposal in a timely manner

The building that housed the equipment in question was under construction and it was very difficult to get in the area to locate equipment and take an accurate inventory. Although the property manager was able to get in and find some equipment, it was very difficult to find all equipment because of the condition of the rooms.

Corrective action:

Once construction was completed, this administration hired an additional employee to assist the property manager with locating and disposing/surplusing all outdated/damaged equipment. The bulk of this equipment was disposed of this past summer.

In the future, inventory will be reviewed each quarter. At this time, if there are any items that are deemed unusable because of age, etc., permission will be sought to dispose of. Once permission is granted, it will be disposed of immediately and entered into Protégé. A list of all disposed and surplus equipment will be maintained in the campus administration files.

Missing, unexecuted motor vehicle forms

At the time of LPAA's audit, the property manager was not aware of how fleet was being handled. When the campus was called to the hearing, all vehicle forms were brought for review. Because of the linkage between DCC and LTC Region 1, the following records are kept at DCC:

- Fleet mileage and maintenance
- Mileage reimbursement to employees for use of private automobiles for state business.

These documents are on file at the agency. In the future, copies of the above forms will also be kept on site at the West Jefferson Campus.

Fleet Maintenance

At the time of the audit, this campus did not have a fleet manager. It had undergone two (2) Asst. Deans and no one had been inputting the documentation into the system on a regular basis.

Corrective Action:

As of this date, Don Marco has been appointed as fleet manager and the system has been updated for years 2005 and 2006. We are currently awaiting the mileage reports from the fleet department at DCC to input 2007 and early parts of 2008. This will be completed by November 24, 2008.

Per the plan attached, mileage must be put into the system no later than 3 days after the close of the month. The fleet manager is to send the Provost an email after each month's entry along with a print out from Protégé verifying that the mileage has been entered.

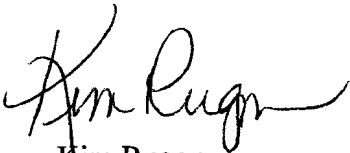
Also, a form letter has been generated to be sent to LPAA on a monthly basis explaining underutilization, if necessary. Please see attached.

In closing, on October 23, 2008, on my request, Mr. Floyd Rector visited the region to explain inventory policies and procedures to all employees (Please see attached sign in sheet). Mr. Rector reiterated the responsibilities of all regional employees for movable property and how sufficient care must be exercised to maintain adequate internal control to prevent possible loss, theft, and misuse of state assets.

I am committed to making sure that all employees are fully aware of the importance of caring for state assets. I will continue from this point on to oversee the inventory procedures for this campus to ensure that we are in compliance with state property laws and regulations as they relate to movable property.

If you have any questions or concerns, please feel free to contact me.

Sincerely,



Kim Rugon
Provost

Cc: Dr. Ron Wright, Chancellor
Allen Brown, Internal Auditor