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STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Technical College,
Baton Rouge Campus
Department of Education
Board of Elementary and
Secondary Education
State of Louisiana
Baton Rouge, Louisiana

July 9, 1997

NO BUY AND TRY
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Financial and Compliance Audit Division

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

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**LOUISIANA TECHNICAL COLLEGE,
BATON ROUGE CAMPUS
DEPARTMENT OF EDUCATION
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated May 19, 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 Baton Rouge office of the Legislative Auditor.

July 9, 1997



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

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May 19, 1997

**LOUISIANA TECHNICAL COLLEGE,
BATON ROUGE CAMPUS
DEPARTMENT OF EDUCATION
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
STATE OF LOUISIANA
Baton Rouge, 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, Baton Rouge 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; and (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.

The Annual Fiscal Reports of the Louisiana Technical College, Baton Rouge Campus are not within the scope of our procedures, and, accordingly, we offer no 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 personnel and selected technical college personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. We noted that the size of the technical college's operation and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial. In addition, after analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Revenue and Accounts Receivable Deficiencies

Louisiana Technical College, Baton Rouge Campus (LTCBRC) does not have adequate internal controls over the collection and deposit of receipts and over recording and monitoring amounts due to the school. Louisiana Revised Statute (R.S.) 49:308(A) requires that all money received by the state be deposited in the state treasury

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immediately upon receipt. Good internal controls provide for segregation of duties to safeguard assets, ensure that accounting data is both accurate and reliable, and that errors and/or irregularities are detected in a timely manner. Our control and compliance audit of LTCBRC for the fiscal years ending June 30, 1997, and June 30, 1996, disclosed the following:

- Of 77 fiscal year 1997 and 1996 deposit transactions reviewed, 17 were not made timely. Deposits were dated from 2 to 23 days after the transaction date.
- LTCBRC is not recording accounts receivable in those instances where services are provided before payment for those services. In three instances, LTCBRC provided services to other agencies or private organizations. Billings for these services were not made for periods ranging from 20 days to 3 months. No accounts receivable were recorded.
- LTCBRC is not recording accounts receivable for various student financial assistance programs. LTCBRC provides the services for the Job Training Partnership Act (JTPA), Title III (Dislocated Workers), and Project Independence before billing. Accounts receivable are not being recorded, even though the services may be provided in one state fiscal year and collected in a subsequent fiscal year.
- Fees for LTCBRC's day care center are not being collected on a timely basis, and accounts receivable are not being maintained in the accounting department for collection of amounts due. We examined receipts for 13 individuals who have enrolled their children in the day care center. Payments for child care services occurred from one week to two months after the date of service. Among the individuals who may have paid late is an employee of the school. This individual paid for three weeks of service on September 16, 1996, and for three weeks of service on December 20, 1996. No dates of service were written on the receipts for this employee; therefore, we could not determine if payments were in arrears or in advance.

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- Receipts in the day care center are not being written at the time payments are made. The child care attendant collects fees, takes them to accounting where a receipt is written, then goes back to the day care center with a copy of the receipt. Receipts are given to the parent after this process.
- Our review of receipts for services provided by cosmetology students disclosed that receipts appear to have been written at the end of the day, as opposed to being written as services are provided. We noted that receipts were grouped together and consecutively numbered by fees charged.

These conditions occurred because LTCBRC has not placed sufficient emphasis on developing an adequate system of controls over revenue and receivable transactions. Failure to make deposits timely results in noncompliance with Louisiana law and results in lost interest earnings for the state. Failure to establish adequate internal controls over revenues and accounts receivable increases the risk that errors may occur and not be detected in a timely manner, that assets may not be adequately safeguarded, and that accounting data may not be accurate and reliable, resulting in misstatements in LTCBRC's financial statements.

LTCBRC should establish procedures over receipts and accounts receivable to ensure compliance with Louisiana law and to maintain adequate internal controls. In a letter dated May 6, 1997, Mr. Robert R. Buck, Director, concurred with most points of the finding. Regarding the failure to record receivables for the financial assistance programs, Mr. Buck concurs in part. He concedes that this does occur, but points out that the agreements with the contracting agencies allow billing at the end of the term and further points out that he relied on a memo from the college's governing agency stating that the college had no receivables. Mr. Buck's letter includes a detailed corrective action plan which he expects to be fully implemented by June 1, 1997.

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 cost, and their potential impact on the operations of the technical college should be considered in reaching decisions on courses of action. The finding relating to the technical college's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,

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

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CGW:MWB:dl

[LTC-SRC]