

LOUISIANA TECHNICAL COLLEGE
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED APRIL 6, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

REPRESENTATIVE CEDRIC RICHMOND, CHAIRMAN
SENATOR J. "TOM" SCHEDLER, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

ALBERT J. ROBINSON, CPA

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.

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. Six copies of this public document were produced at an approximate cost of \$11.58. 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.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 7273 or Report ID No. 04801657 for additional information.

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.



STEVE J. THERIOT, CPA
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

March 16, 2005

LOUISIANA TECHNICAL COLLEGE
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the Louisiana Community and Technical College System's (LCTCS) financial statements for the year ended June 30, 2004, we considered the Louisiana Technical College's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the college's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the Louisiana Technical College's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the college's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of the Louisiana Technical College is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The college's accounts are an integral part of the LCTCS' financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior audit report on the LCTCS for the year ended June 30, 2003, we reported findings relating to inadequate internal control over operations of the Louisiana Technical College and inadequate preparation of the Annual Fiscal Report. Those findings have been substantially resolved by management. In the prior Single Audit Report for the State of Louisiana for the year ended June 30, 2003, we reported a finding relating to inadequate internal controls over Pell Grant refunds for the Louisiana Technical College, which is again addressed in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. The finding included in this management letter that is required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2004.

Inadequate Control Over Pell Grant

For the third consecutive year, the Louisiana Technical College (LTC) has inadequate internal control over refunds and returns of overpayments of the Federal Pell Grant

Program (CFDA 84.063). The LTC also failed to properly maintain Federal Pell Grant (Pell) funds in an interest-bearing bank account. 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 30 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 (void transactions). Although the regulations do not give a specific time frame for returning overpayments resulting from these void transactions, the institution should have policies in place to ensure the timely return of these funds to the federal government, generally within 30 days. In addition, 34 CFR 668.163 requires Pell funds to be maintained in an interest-bearing account or an investment account, unless certain exceptions are met, and remit all interest earnings exceeding \$250 to the federal government.

Pell refunds and returns of overpayments are initiated at the individual LTC campuses and sent to the LTC central office, which then credits the Pell account and remits the funds to the U.S. Department of Education (DOE). In a test of 55 Pell refunds initiated during fiscal year 2004, 39 refunds (71%), totaling \$14,194, were not remitted to DOE until 32 to 181 days after the date of determination of the students' withdrawal. In addition, overpayments for 148 of 202 (73%) voided Pell checks (void transactions), totaling \$147,918, were not returned until 41 to 180 days after the checks were issued.

Failure to adequately control Pell refunds and returns of overpayments and failure to maintain Pell funds in an interest-bearing account have caused the LTC to be in noncompliance with federal program requirements and exposes the LTC to a possible interest earnings liability. The estimated amount of interest that would have been earned had the Pell funds been in an interest-bearing account during the year is \$1,184, of which \$934 would have been due to DOE.

Management of the LTC should implement policies and procedures to ensure that Pell refunds and returns of overpayments from void transactions are remitted timely to the DOE. Management should also ensure that all Pell funds are maintained in an interest-bearing account or an investment account and should consult with the DOE regarding any possible interest earnings liability. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the college. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the college should be considered in reaching decisions on courses of action. The finding, which relates to the college's compliance with applicable laws and regulations should be addressed immediately by management.

Other Report

A report was issued on November 16, 2004, by the LCTCS Director of Internal Audit relating to sick leave taken during the Legislative Session by a Louisiana state representative, who also works for the LTC - Alexandria campus. The chancellor of the LTC recommended to the LCTCS Board of Supervisors that the employee be removed from employment with the college. The LCTCS Board of Supervisors will make a formal decision relating to the employment of the employee at the April 13, 2005, board meeting.

This letter is intended for the information and use of the 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 letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

AD:BQD:THC:ss

[LTC04]

This page is intentionally blank.

Management's Corrective Action
Plan and Response to the
Finding and Recommendation



LOUISIANA TECHNICAL COLLEGE

Office of the Chancellor

Margaret Montgomery-Richard, Ph.D., Chancellor

150 Third Street – Suite 200

Baton Rouge, Louisiana 70801

Telephone: 225/219-9532

Facsimile: 225/219-9497

CAMPUSES:

Acadian
Alexandria
Ascension
Avoyelles
Bastrop
Baton Rouge
Charles B. Coreil
Delta Ouachita
Evangeline
Florida Parishes
Folkes
Gulf Area
Hammond Area
Huey P. Long
Jefferson
Jumonville Memorial
Lafayette
Lafourche
Lamar Salter
Mansfield
Morgan Smith
Natchitoches
North Central
Northeast LA
Northwest LA
Oakdale
River Parishes
Ruston
Sabine Valley
Shelby M. Jackson
Shreveport Bossier
Sidney N. Collier
Slidell
Sullivan
T. H. Harris
Tallulah
Teche Area
West Jefferson
Westside
Young Memorial

January 25, 2005

Steve J. Theriot, CPA
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: LTC audit finding titled "Inadequate control over Pell grant"

Management of the Louisiana Technical College concurs with the finding and recommendation related to inadequate control over the Pell grant program.

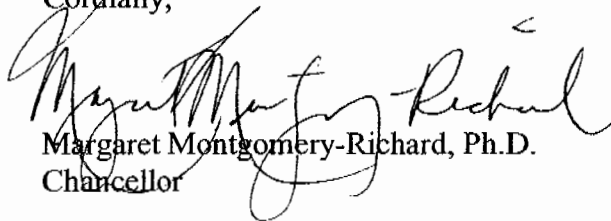
Management of the Louisiana Technical College recognizes its responsibility to manage Pell funds in accordance with the applicable federal regulations. To that affect, we have taken the following actions to insure that Pell grant funds are obtained, managed, disbursed and returned according to federal guidelines.

1. The LTC Chancellor's office has hired a financial aid director who has developed policies and procedures for district and campus financial aid officers.
2. The LTC financial aid director and LTC comptroller hosted a meeting on January 7, 2005 with district financial aid administrators and district accountants. The purpose of the meeting was to discuss the financial aid roles and responsibilities of the campus financial aid officer and the campus accountant.
 - a. The district financial aid administrators were given a copy of the new financial aid handbook and discussion was held regarding the policies and procedures included in the handbook.
 - b. The district accountants were given a copy of the policy titled "Campus procedures for handling Pell grant funds". Discussion was held regarding the policy and procedures. The district accountants were instructed to share the policy and procedure with their campus accountants. Emphasis was placed on the proper procedure for returning funds within the required timeframe.
 - c. The Chancellor's office will monitor returns to investigate those that are not within the prescribed timeline.

- d. The minutes of this meeting along with electronic copies of distributed forms were disseminated to the district accountants and the district Vice Chancellors.
3. The LTC comptroller developed a policy and procedure for the management of Pell grant funds at the Chancellor's office. Included in this policy is the requirement that funds are returned within the required timeframe as prescribed by federal regulations.
4. The bank account where Pell funds are deposited has been changed to an interest bearing account.

Ms. Pam Diez, LTC Comptroller, is responsible for ensuring compliance with the corrective actions listed above.

Cordially,



Margaret Montgomery-Richard, Ph.D.
Chancellor