

L.E. FLETCHER TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL
COLLEGE SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED SEPTEMBER 24, 2014

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 3, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Mr. Earl W. Meador, J.D., Chancellor,
L.E. Fletcher Technical Community College

Dear Senator Alario, Representative Kleckley, and Mr. Meador:

This letter provides the results of our procedures at L.E. Fletcher Technical Community College (FTCC) for the period from July 1, 2012 through June 30, 2014. Our objective was to evaluate certain controls that FTCC uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. In addition, we performed internal control and compliance testing on the federal Student Financial Aid Cluster as part of the 2014 Single Audit of the State of Louisiana.

This letter contains our findings, conclusions, and recommendations. Appendix A contains FTCC's responses to this letter. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of FTCC for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

NM:EFS:THC:aa

FTCC 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



L.E. Fletcher Technical Community College

September 2014

Audit Control # 80140034

Introduction

The primary purpose of our procedures at L.E. Fletcher Technical Community College (FTCC) was to evaluate certain internal controls FTCC uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. In addition, we tested the federal Student Financial Aid Cluster as a part of the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2014. The mission of FTCC is to offer quality, cost-effective, technical programs and academic courses to the citizens of south Louisiana for the purpose of preparing individuals for immediate employment, career advancement, and future learning.

Results of Our Procedures

We evaluated FTCC's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to FTCC. Based on the documentation of FTCC's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, movable property, student tuition and fee revenues, contract expenses, payroll expenses, and the implementation of the new accounting system, Banner. We also performed internal control and compliance testing on the Student Financial Aid Cluster for the fiscal year ended June 30, 2014. The finding relating to noncompliance with Student Financial Assistance Cluster program regulations will also be included in the State of Louisiana Single Audit report for the year ended June 30, 2014.

Noncompliance with Student Financial Assistance Cluster Program Regulations

FTCC did not ensure compliance with Student Financial Assistance (SFA) Cluster program regulations.

Under SFA, FTCC administers the Federal Pell Grant Program (Pell), Federal Supplemental Educational Opportunity Grant, and the Federal Work Study (FWS) program and disburses approximately \$4 million annually to program participants. Noncompliance with federal

regulations may subject FTCC to sanctions, up to and including termination of program participation.

Our procedures disclosed the following:

- FTCC did not return \$19,289 of SFA funds to the U.S. Department of Education (ED) within the required time frames of the program.

For 11 of 25 students tested, FTCC did not determine the amount of grant assistance that the student earned as of the student's withdrawal date. As of June 2014, unearned Pell funds totaling \$9,808 were due to ED, which we consider questioned costs.

In addition, for another 12 of the 25 students tested, FTCC did not return Pell funds totaling \$9,481 to ED within 45 days of determining the students' withdrawal dates as required by federal regulations. The late returns ranged from 73 to 116 days after the required 45-day period.

- FTCC made six Pell grant drawdowns totaling \$136,491 between October 2013 and February 2014. Although FTCC could support the total amount by student, the college could not identify in what draw an individual student's funds were received. As a result, we could not determine, as required by federal regulations, if the Pell funds were disbursed to students within three business days following the receipt of the funds or if there was any excess cash associated with those drawdowns.
- FTCC does not maintain SFA funds in an interest-bearing account as required by federal regulations.
- FTCC incorrectly reported or could not provide evidence to support amounts reported on certain lines of its 2012-2013 Fiscal Operations Report and Application to Participate. The line items included information on enrollment, total tuition and fees, compensation and federal share of the FWS, and information about FWS students employed in community service activities.

FTCC management attributed the exceptions to turnover of key management personnel within the Office of Financial Aid.

Management should ensure that procedures are established to timely determine the amount of grant assistance earned by a withdrawing student and return unearned funds within the required program timeframes. Management should also maintain adequate records for payment requests made to ED and to support the accuracy of the data submitted in the required federal reports. In addition, management should maintain SFA funds in an interest-bearing account as required by federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Loss of Fee Revenues

FTCC did not charge student technology fees in accordance with Louisiana Revised Statute (R.S.) 17:3351.1 for the Fall 2010 through Spring 2014 school semesters, which resulted in an estimated loss of \$60,913 in fee revenues.

R.S. 17:3351.1 states the student technology fee shall be \$5 per course credit hour. It further states that prior to the assessment of the technology fee at any institution, the governing body of the student government association at the particular institution shall have approved the assessment and may establish the maximum amount of any such assessment per student per semester.

However, effective in the Fall 2010 semester, FTCC's Student Government Association approved and FTCC charged a fee of only \$4 per course credit hour with a maximum of \$45 per student per semester. Based on enrollment reports for the Fall 2010 through Spring 2014 school semesters, the estimated loss of revenue, by charging \$4 instead of \$5, was \$60,913.

FTCC management should ensure that student technology fees as approved by its student government association are in accordance with state law. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Noncompliance with Unclaimed Property Regulations

FTCC did not report outstanding checks totaling \$5,938, which were held for more than one year, as abandoned property to the State Treasurer's Office in accordance with unclaimed property regulations. Outstanding check dates ranged from November 2004 through June 2012. Although procedures were established to report unclaimed property, FTCC personnel failed to do so. Management noted a lack of staff as a contributing factor for the noncompliance.

R.S. 9:154(A)(10) provides that property is presumed abandoned if the property held by a court, state or other government, governmental subdivision or agency, public corporation, or other public authority, one year after the property becomes distributable is unclaimed by the apparent owner. Furthermore, R.S. 9:159 requires a holder of property presumed abandoned to make a yearly report to the state treasurer concerning the property.

Management should ensure that FTCC personnel follow established procedures so unclaimed property is remitted to the State Treasurer's Office in accordance with unclaimed property regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Other Results of Our Procedures

MOVABLE PROPERTY

There are inherent risks related to movable property on campuses because of decentralized locations, public access, and portability of items such as laptops. FTCC had controls in place to ensure assets were properly safeguarded and recorded and FTCC complied with state property regulations.

CONTRACT EXPENSES

FTCC is responsible for monitoring its professional service contracts to ensure that contracted goods and services are received and that payments made are timely, adequately supported, and within contract limits. FTCC had controls in place to ensure proper monitoring of contract expenses.

FACULTY AND STUDENT PAYROLL EXPENSES

Based on risks identified at the Louisiana Community and Technical College System (LCTCS) level, we performed procedures to determine that faculty was paid in accordance with contract terms. We also performed procedures to determine if student payroll expenses agreed to actual hours worked as documented on supervisor approved timesheets. FTCC had controls in place to ensure that employees were paid in accordance with contract terms and for actual hours worked.

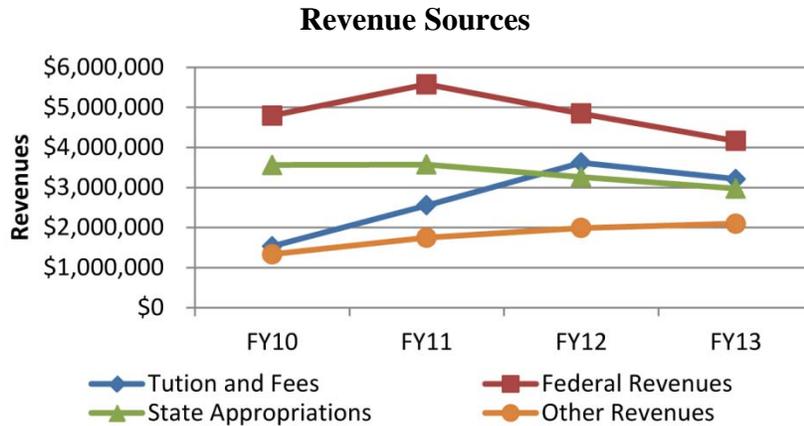
IMPLEMENTATION OF NEW ACCOUNTING SYSTEM

Banner is an enterprise resource planning system designed specifically for colleges and universities. LCTCS implemented the Banner Finance module in fiscal year 2012; the Banner Student and HR modules were implemented in fiscal year 2013. We performed procedures to ensure that access to financial data was authorized and necessary for business purposes, beginning balances for fiscal year 2014 were accurate, and that the Student Accounts Receivable module was being reconciled to the Finance module timely. FTCC adequately implemented the controls we tested in its new accounting system.

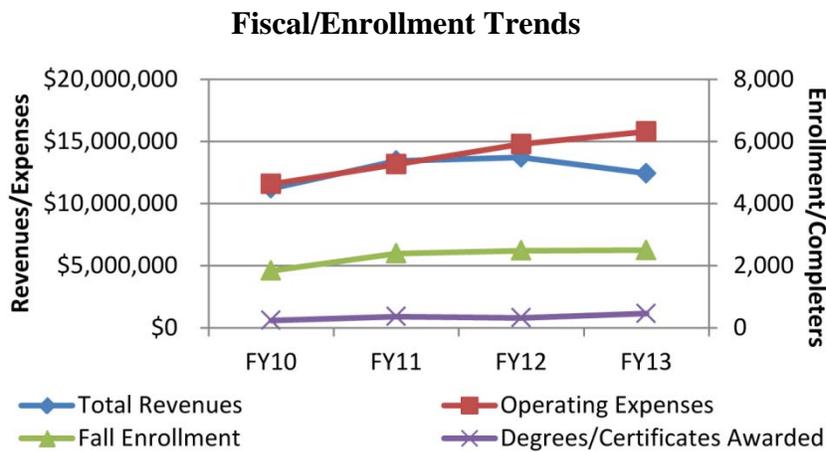
COMPARISON OF ACTIVITY BETWEEN YEARS

We compared the most current and prior year financial activity using FTCC's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from FTCC management for any significant variances that could potentially indicate areas of risk. FTCC management provided reasonable explanations for all significant variances.

We also analyzed FTCC's revenues, expenses, enrollment, and completers for fiscal years 2010 through 2013. We noted that FTCC has become more dependent on tuition and fees and other revenues as state appropriations and federal funds decline. Operating expenses continue to increase as enrollment increases.



Source: FY2010-2013 LCTCS Audited Financial Statements



Source: FY2010-2013 LCTCS Audited Financial Statements and Board of Regents website

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

The purpose of this letter is solely to describe the scope of our work at FTCC and not to provide an opinion on the effectiveness of FTCC’s internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

APPENDIX A: MANAGEMENT'S RESPONSE

August 25, 2014

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Noncompliance with Student Financial Assistance Cluster Program Regulations

Dear Mr. Purpera,

Fletcher Technical Community College (Fletcher) concurs with the finding related to “Noncompliance with Student Financial Assistance (SFA) Cluster Program Regulations”. Fletcher’s management recognizes its responsibility for complying with federal program regulations and has implemented the following to prevent reoccurrences of this finding:

- After each SFA disbursement to student accounts, Fletcher’s Financial Aid staff sends an origination and disbursement file to the U.S. Department of Education’s Common Origination and Disbursement (COD). A COD report on all disbursements is sent to Fletcher’s Business Office staff to identify the student accounts receiving a disbursement of SFA. Financial Aid staff now performs monthly R2T4 calculations to ensure timely returns of SFA funds.
- Financial Aid staff submits a year-to-date (COD) report after each transfer of students’ files from Banner to COD. These reports are used to reconcile G5, COD, and Banner at each G5 drawdown of SFA funds. For each deposit or return of Pell funds, a list of students detailing amounts and types of payments is attached. Pell funds are disbursed within three business days following the receipt of funds.
- Fletcher has contacted Coastal Commerce Bank and is in the process of creating an interest-bearing account to maintain SFA funds. This should be completed by September 30, 2014.
- In the fall of 2012, Fletcher moved to Banner, a new software system shared by all LCTCS colleges. There were many programming issues that affected the financial aid process and scheduling when Banner was first implemented that are now resolved. There has also been a change in management and financial aid staff since this period. The current Financial Aid Director and his staff have a very good working relationship with the Business Office and the financial aid liaison at LCTCS. The current Financial Aid Director understands the required financial disclosure reports and inputting data.

If you have any questions, please contact Darryl Daigle, Vice Chancellor of Finance, at (985) 448-7925 or darryl.daigle@fletcher.edu.

Sincerely,



Earl W. Meador, J.D.
Chancellor

EM:DD:nc

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PHONE
985-448-7922
FAX
985-446-3308

OFFICE OF THE CHANCELLOR
F. Travis Lavigne, Jr.

April 4, 2014

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Reportable Audit Finding – Loss of Fee Revenues

Dear Mr. Purpera:

L. E. Fletcher Technical Community College (Fletcher) has received and reviewed the Louisiana Legislative Auditor report dated March 31, 2014 related to the Loss of Revenues.

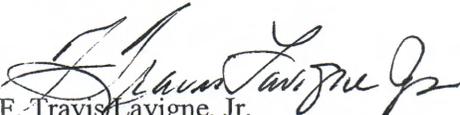
Fletcher Management concurs with the finding and recommendations regarding Loss of Revenues. Effective in the Fall 2010 semester, Fletcher's Student Government Association approved and Fletcher charged a fee of only four dollars per course credit hour with a maximum of \$45 per student per semester.

Action has been taken to correct the finding. A resolution has been prepared by Fletcher's Student Government Association and approved by management to collect \$5.00 per course credit hour each semester with a cap at 12 credit hours in accordance with R.S. 17:3351.1. An election is being held on April 14-15, 2014 for students to vote on the referendum. Assessment of the Student Technology Fee of \$5.00 per credit hour with a cap at 12 credit hours, if approved by the student body, will be effective Summer 2014 semester.

We trust that this corrective action adequately addresses compliance with R.S. 17:3351.1. F. Travis Lavigne, Jr., Chancellor, is the contact person responsible for corrective action and compliance with state law.

Please contact us if we may be of any further assistance or provide additional information.

Respectfully,


F. Travis Lavigne, Jr.
Chancellor

1407 Highway 311
Schriever, LA 70395

WEB
www.fletcher.edu



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985-448-7922
FAX
985-446-3308

OFFICE OF THE CHANCELLOR
F. Travis Lavigne, Jr.

April 4, 2014

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Reportable Audit Finding – Noncompliance with Unclaimed Property Regulations

Dear Mr. Purpera:

L. E. Fletcher Technical Community College (Fletcher) has received and reviewed the Louisiana Legislative Auditor report dated March 31, 2014 related to the Noncompliance with unclaimed Property Regulations.

Fletcher Management concurs with the finding and recommendations regarding noncompliance with Unclaimed Property Regulations. Fletcher did not report outstanding checks totaling \$5,938 which were held for more than one year, as abandoned property to the State Treasurer's Office in accordance with unclaimed property regulations.

Action has been taken to correct the finding. Andrew Boyne, Director of Accounting, has implemented a procedure in the Business Office so that outstanding checks will be reviewed monthly and attempts will be made to contact the owner of the property by telephone and registered mail. At the end of each fiscal year those that remain and are over a year old as determined by RS: 9-154 will be reported to the State of Louisiana Department of Treasury utilizing form UP-2 in accordance with RS:9-159.

We trust that this corrective action adequately addresses compliance with R.S. 9:154(A)(10). F. Travis Lavigne, Jr., Chancellor, is the contact person responsible for corrective action and compliance with state law.

Please contact us if we may be of any further assistance or provide additional information.

Respectfully,


F. Travis Lavigne, Jr.
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at L.E. Fletcher Technical Community College (FTCC) for the period from July 1, 2012 through June 30, 2014. Our objective was to evaluate certain internal controls FTCC uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The Annual Fiscal Reports of FTCC were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. FTCC'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.

- We evaluated FTCC's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to FTCC.
- Based on the documentation of FTCC's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, movable property, student tuition and fee revenues, contract expenses, payroll expenses, and the implementation of the new accounting system, Banner.
- We compared the most current and prior year financial activity using FTCC's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from FTCC management for any significant variances that could potentially indicate areas of risk.

We also performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the federal Student Financial Aid Cluster for the fiscal year ended June 30, 2014, as part of the Single Audit of the State of Louisiana.