

LOUISIANA DELTA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 16, 2016

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., 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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.75. 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 website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9983 or Report ID No. 80160071 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 Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Audit Control # 80160071

Louisiana Delta Community College

November 2016

Introduction

As a part of our audit of the Louisiana Community and Technical College System's (System) financial statements for the fiscal year ended June 30, 2016, we performed procedures at Louisiana Delta Community College (LDCC) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of LDCC's internal controls over financial reporting; and determine whether LDCC complied with applicable laws and regulations.

LDCC is a part of the System and reported an enrollment of 3,894 students for the Fall 2015 semester. The mission of LDCC is to provide the citizens of northeast Louisiana with affordable and accessible high-quality educational programs, services, and modern workforce training.

Results of Our Procedures

Current-year Finding

Inadequate Collection Procedures over Delinquent Student Accounts

LDCC did not send out any billing notices on student accounts with unpaid balances, which totaled approximately \$1.4 million at June 30, 2016. The college also did not transfer any fiscal year (FY) 2016 delinquent accounts to the Louisiana Office of Debt Recovery (ODR). Furthermore, the college does not clearly define when an account is considered delinquent.

LDCC has an agreement with ODR to perform further collection activities on behalf of the college. The agreement requires that the college send notices to debtors stating failure to pay within 60 days of becoming delinquent will result in the account being sent to ODR, and that the college transfers accounts to ODR within 60 days of them becoming delinquent. In addition, System policy states that it is the responsibility of each institution to establish the terms and/or conditions for payment at the time an account is created and to follow up routinely and diligently on all accounts receivable. LDCC policy also states that reasonable efforts will be made to collect students' outstanding debts for up to 90 days before the college refers the debts to ODR for additional collection efforts.

Not sending billing notices to students for overdue accounts and failing to transfer delinquent accounts to ODR hinders the collectability of the outstanding balances, which may impair the college's funding of ongoing operations. In addition, not clearly defining when an account is considered delinquent hinders the college's ability to drop non-paying students timely.

Management should define when an account is considered delinquent and implement procedures to establish the terms and/or conditions for payment at the time an account is created; send timely billing notices to students; and transfer all delinquent student accounts to ODR for further collections. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Unauthorized Salary Payments

LDCC made unauthorized salary payments totaling \$36,035 to three employees when the college failed to obtain signed contract forms for these employees' adjunct and faculty overload assignments. While no time records are required for these assignments, academic deans are responsible for monitoring the classes and performing end-of-course evaluations, which were also not done for these employees.

The college will pay existing faculty employees to work overload assignments or hire adjunct instructors to ensure that classes offered each semester are adequately staffed. The college requires a Contract for Temporary Appointments and/or Additional Duties Form to be signed by the employee or adjunct instructor, the dean, and the Vice Chancellor of Academic Affairs for all adjunct and faculty overload assignments.

The human resources department was unable to provide the required approved contract forms for these three employees to support adjunct and faculty overload salary payments. Good internal control requires approved documentation be obtained and maintained to support all employees' salary and wage payments. Without proper controls, there is an increased risk that improper salary payments will be made.

Management should ensure that required contract forms are approved in advance of employees and adjunct instructors working overload assignments; that end-of-course evaluations are prepared after the assignments; and that controls are in place to prevent salary and wage payments being made when a contract form has not been approved. In addition, management should train and monitor its employees to ensure payroll policies and procedures are followed. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Inadequate Controls over Information Systems

LDCC granted staff inappropriate access to the Banner accounting system and failed to develop written information system (IS) policies and procedures, increasing the risk of errors or fraud in a system that processed \$27.7 million in revenues and \$26 million in expenses during fiscal year 2016.

Our procedures revealed the following deficiencies:

- Several employees were granted access not needed to perform their daily job duties. Specific examples included the following during the 2016 fiscal year:
 - Three employees had access to create invoices, receive goods, and pay invoices in the system.
 - Three employees had access to edit employees' pay rates in the system.
 - Four employees had access to create and edit tuition and fee rates, course level fees, and refund tables.
 - Eight employees had access to receive cash and change students' account balances.
- The college does not have written policies and procedures over (1) defining security roles in Banner; (2) notifying the System's IS department of separated or transferred employees; (3) securing personally identifiable information; or (4) preventing identity theft.
- The refund table dates for the Fall 2015 and Summer 2016 semesters were not correct in Banner, which affected the calculations of tuition and fees refunded or adjusted to students' accounts during those two semesters.
- Access for 18 employees who terminated during the year were not removed up to 14 days after separation of employment.

Although the deficiencies above increase the risk of errors or fraud, besides the refund table date errors, no other errors or fraud were identified as a result of these deficiencies.

Controls surrounding the Banner system are inadequate to ensure proper access is granted and monitored, and refund information in the system is accurate. Good internal control requires the college to have written IS policies and procedures, monitor and restrict employees' access to those functions necessary for their job duties, and ensure that no employees have the ability to make unauthorized changes to system data.

Management should develop and implement written IS policies and procedures and periodically monitor employees' access to ensure all access is appropriate. Management should also ensure refund tables are accurate, determine any impact the incorrect tables had on the college's operations and make corrections as needed. Management concurred in part with the finding and outlined a plan of corrective action. Management did not concur with having to notify the System of separated or transferred employees (see Appendix A, pages 3-5).

Additional Comments: The System's policy "Guidelines and Timeframes to Notify Information Systems of Separated Employees" provides guidance on the timely notification of separated employees. Management should consider contacting the System to clarify the applicability of the policy.

Financial Statements - Louisiana Community and Technical College System

As a part of our audit of the System's financial statements for the year ended June 30, 2016, we considered LDCC's internal controls over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Statement of Net Position

Assets - Receivables and due from federal government

Liabilities - Accounts payable and accrued liabilities, and unearned revenues

Net Position - Investment in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student tuition and fees, scholarship allowances, and federal nonoperating revenues

Expenses - Educational and general expenses

Based on the results of these procedures on the financial statements, we reported findings regarding inadequate collection procedures over delinquent student accounts, unauthorized salary payments, and inadequate controls over information systems, as described previously. In addition, the account balances and classes of transactions tested are materially correct.

Other Procedures

In addition to the financial statement work noted above, we performed certain procedures which included obtaining, documenting, and reviewing LDCC's internal control and compliance with related laws and regulations over cash, LaCarte procurement card program, contracts, movable property, and the corporate business account program.

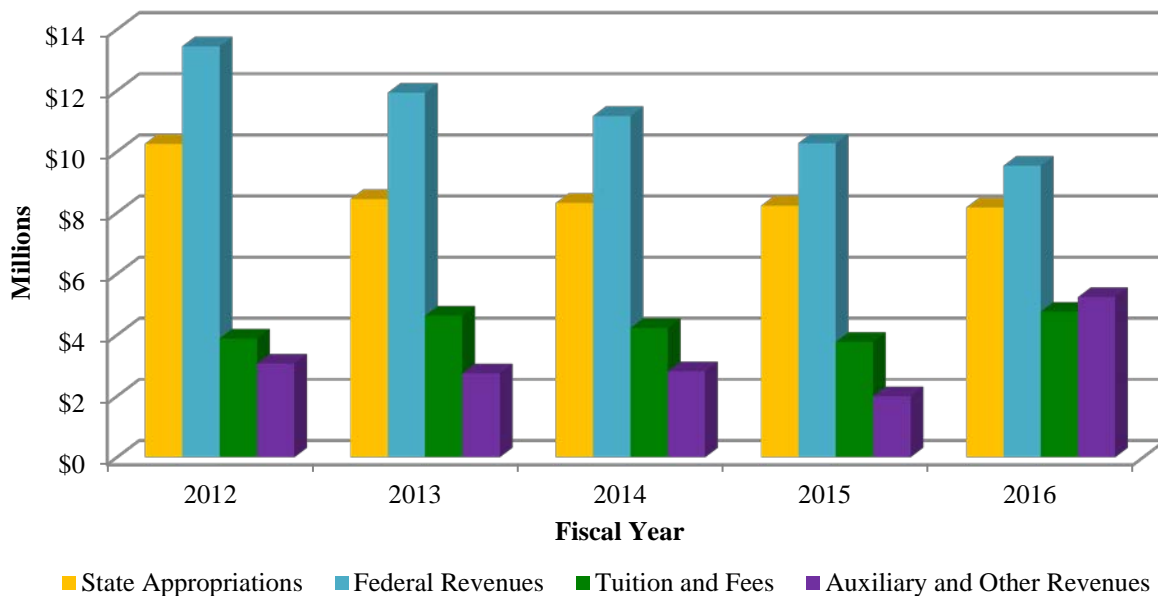
Based on the results of the procedures performed, we found no issues or weaknesses that were required to be reported.

Trend Analysis

We compared the most current and prior-year financial activity using LDCC's annual fiscal reports and/or system-generated reports and obtained explanations from LDCC management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years, as shown in Exhibits 1 and 2.

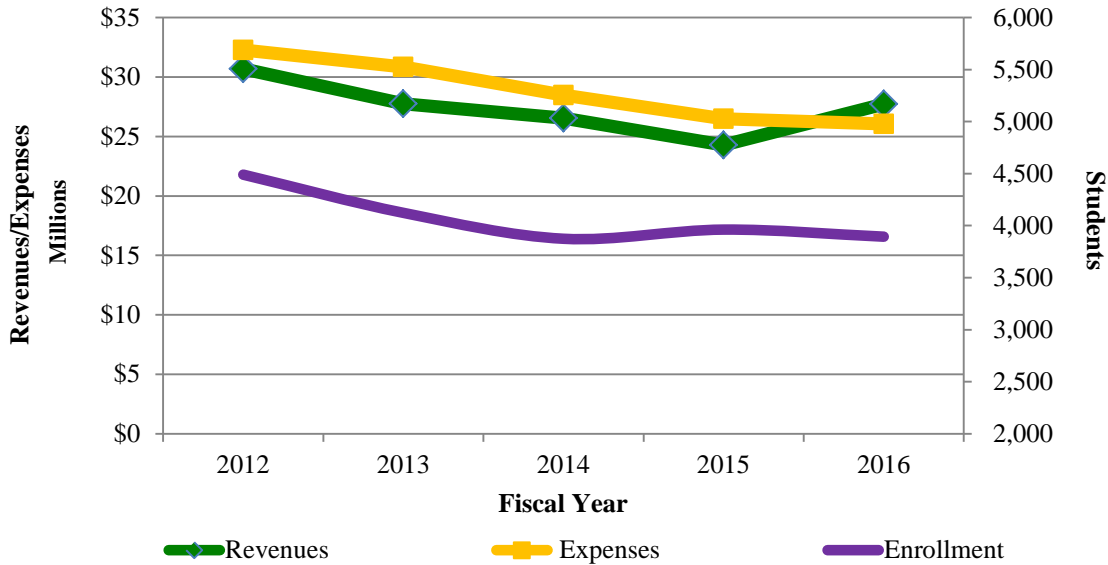
In analyzing financial trends of LDCC over the past five fiscal years, total revenues and expenses have gradually decreased with enrollment until FY 2016. In FY 2016, there was an increase in other revenues due to the private donation of land and buildings valued at more than \$2 million for the establishment of a campus in Jonesboro and the relocation of the Winnsboro campus. Although there was a drop in enrollment, there was an increase in tuition in 2016 that contributed to the stabilization of tuition revenue. The increase in tuition rates is permitted by the GRAD Act (Act 741 of the 2010 Regular Session of the Louisiana Legislature) and Act 196 of the 2011 Regular Session of the Louisiana Legislature, which established a uniform fee schedule for the System.

Exhibit 1
Five-Year Revenue Trend



Source: FY 2012-2016 LDCC Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Sources: FY 2012-2016 LDCC Annual Fiscal Reports, as adjusted, and Board of Regents website

The recommendations in this letter represent, in our judgment, those which are most likely to bring about beneficial improvements to the operations of LDCC. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LDCC should be considered in reaching decisions on courses of action.

Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

KVL:BAC:BH:EFS:aa

LDCC 2016

APPENDIX A: MANAGEMENT'S RESPONSES

Office of the Chancellor

October 17, 2016

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

RE: Audit Finding Louisiana Delta Community College

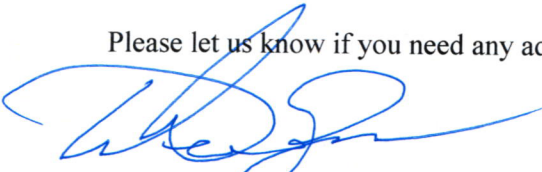
In response to the audit finding reported to us by Barbara Clements, audit manager, please note response below:

I. Inadequate collection procedures.

A. At the time of the audit, LA Delta Community College was actively changing the process by which past due receivables are identified and processed. The new procedure had not yet been documented with a written policy. Past due receivables have been turned over to the Office of Debt Recovery in past fiscal years and funds have been collected by ODR. Upon completion of the project, past due and accounts placed with collection will be accurate and identifiable.

1. Concur. A written policy will be prepared to identify past due accounts and actions required to collect the outstanding debt.

Please let us know if you need any additional information,



W. Dennis Epps, M. Ed.
Acting Chancellor

Office of the Chancellor

October 17, 2016

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

RE: Audit Finding Louisiana Delta Community College

In response to the audit finding reported to us by Barbara Clements, audit manager, please note response below:

I. Unauthorized salary payments.

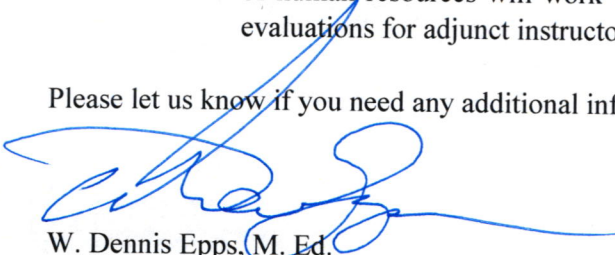
A. Three employees had contracts without all necessary signatures.

1. Concur. Employee contracts were located in the employee's personnel folder to substantiate the payments. Two employee contracts had no signatures. Two contracts were not signed by the employee but was approved by the chancellor. While all signatures were not in place, documentation was prepared for each employee and placed into the employees' folder. The processes involved will be reviewed by the Interim Vice Chancellor of Finance and the assistant director of human resources to insure documentation is complete.

B. End of course evaluations.

1. Concur. End of course evaluations for adjunct instructors ceased at the direction of the former chancellor of Delta. The interim vice chancellor of finance and assistant director of human resources will work with deans and division chairs to reinstate end of course evaluations for adjunct instructors.

Please let us know if you need any additional information,



W. Dennis Epps, M. Ed.
Acting Chancellor

Office of the Chancellor

October 17, 2016

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

RE: Audit Finding Louisiana Delta Community College

In response to the audit finding reported to us by Barbara Clements, audit manager, please note responses below:

I. Employees granted inappropriate access for job duties.

A. Three employees had access to create invoice, receive goods and pay invoices.

1. Seven employees were found to have the ability to create invoices, receive goods and pay invoices. The audit determined that three of the employees did not require this level of access to perform their daily duties. Two of the three employees noted are no longer with this institution. Access to Banner has been terminated for these two employees. The remaining employee is our budget director and must have multiple levels of access to review historical data. Access will be changed to query status.

a. Concur. Access for the remaining employees will be changed to query status for receiving goods, paying invoices, editing vendor records and approving requisitions.

B. Three employees had access to edit pay rates.

1. Six employees were found to have the ability to change pay rates. The audit determined that three of the employees did not require this level of access to perform daily work activities. Of the three employees noted, one of the employees is no longer with this institution. Access to Banner has been terminated for this employee.

a. Concur. The remaining two employees named in the finding will have their access reduced to query only.

C. Four employees had access to edit fee tables, set course level fees and create refunds.

1. The audit determined that all four of the employees did not require this level of access to perform their daily duties. Two of the four employees are no longer with this institution. The remaining two employees need access to the data to perform their duties.

a. Concur. The remaining two employees will have access reduced to query access only for the areas noted by auditor.

D. Eight employees had access to receive cash and change student balances.

1. The audit determined that all eight of the employees did not require this level of access to perform their daily duties. Two of the eight employees are no longer with this institution. Access to Banner has been terminated for these two employees. One of the employees performs shared services and is employed by a sister institution. Access to Banner modules for this employee is granted by the sister institution.

a. Concur in part. Of the remaining five employees, four will have their access reduced to query only. One of the remaining employees is a restricted funds accountant and deals with student issues relating to our commercial truck driving operations (CVO) along with various other incumbent worker programs.

II. Written policies and procedures

A. Defining security roles.

1. Concur. Security role policy will be developed by collaboration of the Information Officer and the Interim Vice Chancellor of Finance.

B. Notifying LCTCS of separated or transferred employees.

1. Do Not Concur. The offices of LCTCS are not involved with the daily operations of the Human Resources Department of Louisiana Delta Community College. The involvement of the central office is restricted to processing data for the preparation of payroll distribution and managing the global environment of the Banner platform. Entering termination dates and recording the transfer of employees from one job description to another is a process restricted to our in house Human Resources Department. The LCTCS does not maintain any physical records of employee status changes. Any policies, procedures or processes used by Delta is for internal purposes and does not affect LCTCS.

C. Securing personally identifiable information.

1. Concur. Louisiana Delta Community College makes every effort to secure all personal information. We are cognizant of the Family Education Rights and Privacy Act (FERPA) and comply with the rules and regulations therein. Written policies will be developed to enhance processes already in place.

D. Preventing and identifying theft.

1. Concur. Louisiana Delta Community College has multiple layers of security requiring transaction approvals by department heads, finance, and purchasing for financial transactions. Cash transactions are monitored daily and equipment is verified on a regular basis. The finding is a broad statement and does not address any specific deficiency. To strengthen processes already in place, written polices will be developed.

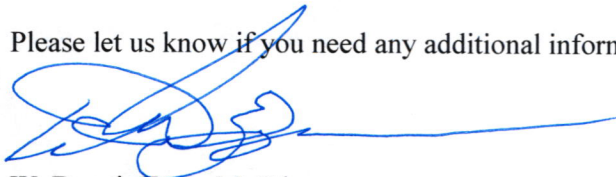
III. Refund table dates.

A. Concur. The issue has been addressed and dates have been corrected. Changes to dates if any will be monitored and adjusted accordingly.

IV. Terminated employees had access to Banner after separation of employment.

A. Concur in part. We reviewed the process currently in place to block all Banner access to terminated employees. While it is true that Banner access was not terminated at the same time an employee was separated from duties, it is important to note the following. Internet Native Banner (INB) is not accessible from offsite locations without having a Virtual Private Network (VPN). A VPN can only be set up by our internal IT department and the practice is scrutinized carefully. Only our internal IT department has the necessary software and passwords that make this available. When an employee is separated from employment, they must relinquish all computers, laptops and mobile devices before leaving the premises. Therefore, for all practical purposes, INB access is terminated at time of departure. To ensure that we block access to INB for terminated employees, the Information Officer and the Interim Vice Chancellor of Finance will prepare both a policy and procedure to remove INB access on the date of termination.

Please let us know if you need any additional information,



W. Dennis Epps, M. Ed.
Acting Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana Delta Community College (LDCC) for the period from July 1, 2014, through June 30, 2016, to provide assurances on financial information significant to the Louisiana Community and Technical College System (System) and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements for the year ended June 30, 2016.

- We evaluated LDCC'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 LDCC.
- Based on the documentation of LDCC's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain LDCC account balances and classes of transactions to support the opinion on the System's financial statements.
- We compared the most current and prior-year financial activity using LDCC's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from LDCC management for significant variances.

The purpose of this report is solely to describe the scope of our work at LDCC and not to provide an opinion on the effectiveness of LDCC's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review LDCC's Annual Fiscal Report and, accordingly, we do not express an opinion on that report. LDCC's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.