

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

South Louisiana Community College  
Louisiana Community and  
Technical College System  
State of Louisiana  
New Iberia, Louisiana

December 27, 2000



***Financial and Compliance Audit Division***

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

**SOUTH LOUISIANA COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
New Iberia, Louisiana**

Management Letter  
Dated December 1, 2000

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December 27, 2000

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**LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

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December 1, 2000

**SOUTH LOUISIANA COMMUNITY COLLEGE**  
**LOUISIANA COMMUNITY AND**  
**TECHNICAL COLLEGE SYSTEM**  
**STATE OF LOUISIANA**  
New Iberia, Louisiana

As part of our audit of the Louisiana Community and Technical College System's financial statements for the year ended June 30, 2000, we considered the South Louisiana Community 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*.

The Annual Fiscal Report of the South Louisiana Community 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 Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior audit report on the South Louisiana Community College for the year ended June 30, 1999, we reported findings relating to record retention laws, state scholarship requirements, internal control over movable property, accounting control weaknesses, and internal control over financial reporting. The findings relating to compliance with record retention laws and internal control over movable property have been resolved by management. The findings relating to compliance with state scholarship requirements and accounting control weaknesses are addressed again 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. All findings included in this management letter that are 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, 2000.

**Accounting Control Weaknesses**

For the second consecutive year, South Louisiana Community College (SLCC) did not establish adequate accounting controls or maintain accurate and complete accounting records over cash receipts for tuition and fees and student accounts receivable. The following deficiencies in internal control and accounting records were noted:

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**Cash**

SLCC has inadequate internal control over cash receipts. Adequate internal control requires that all receipts be deposited timely in the bank and physical access to cash be limited. A review of the college's controls over cash receipts revealed the following weaknesses:

- Cash receipts were not deposited timely. In a test of 12 deposits containing 352 cash receipts, 53 cash receipts (15%) were deposited from 11 to 18 days after receipt, and 180 cash receipts (51%) were deposited from 2 to 10 days after receipt. Untimely bank deposits increase the risk that cash assets could be lost or stolen.
- The check signing authority of a former employee was not removed timely. The employee left employment with SLCC on February 25, 2000, and as of June 30, 2000, the employee's name had not been removed from the signature card on record with the bank. Failure to promptly remove the check signing authority of former employees increases the risk of loss from fraud.

In addition, excess funds were not invested as required by state law. Louisiana Revised Statute 49:327(C) requires excess funds to be invested to maximize interest earnings. At June 30, 2000, SLCC has cash totaling \$74,168 in a noninterest-bearing bank account. Failure to invest idle cash results in lost interest earnings.

**Student Accounts Receivable**

SLCC has not provided adequate internal control over student accounts receivable. An adequate control system should ensure that student accounts receivable and payable transactions are properly recorded in the accounting records. The college uses a software system (commonly called SCT) to maintain student-related accounting records that include amounts SLCC owes to students and amounts the students owe to SLCC. In a test of 25 student account files, the following errors in the SCT system were noted:

- One student registered for six hours and paid for nine hours, resulting in a \$111 refund owed to the student. The next semester the student was overcharged \$111 again, but she was later

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### SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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refunded \$111. Although the college still owed the student \$111, the student's account in SCT indicated a zero balance.

- One student dropped a class within the 25% refund period, but SCT indicated the student dropped within the 100% refund period. This resulted in the student receiving a full refund of \$111 instead of only \$27.75, causing the college to lose \$83.25 for tuition and fee revenue.
- Two students had state scholarships in which tuition was waived. However, the students' accounts in SCT indicated the students owed \$323 and \$434, respectively.
- Student records indicated that one student withdrew from class after the refund period ended. However, the SCT system reflected a withdrawal date during the 100% refund period resulting in an understatement of \$111 in the amount due from the student.
- Student records indicated that one student enrolled in school but never attended classes. However, the SCT system reflected the student's account was charged \$434 and credited \$222, resulting in an overstatement of \$212 in the amount due from the student.
- One student dropped six credit hours after the refund period ended. The student's account in SCT indicated a \$222 refund when none was due.
- One student's account in SCT reflected the student owed a balance of \$545 when receipt and deposit records indicated a credit card payment in full.

In March 2000, management determined that the student account information in SCT was unreliable but could not determine whether the problems arose from incorrect data that had been input or if the system itself was flawed. However, management began to research and correct student account balances and make manual calculations of refunds rather than rely on SCT to perform the calculations.

A lack of accurate student accounts receivable and payable records prevents SLCC from taking sufficient and timely action to collect student receivables and impedes the determination of refunds due when a student drops a class. In addition, without reliable

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### **SOUTH LOUISIANA COMMUNITY COLLEGE LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA**

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records, management is unable to verify that tuition and fee revenues and student accounts receivable have been properly recorded in the financial statements.

Management should take the necessary measures to establish adequate accounting controls over cash receipts and maintain accurate and complete accounting records for student accounts receivable. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

#### **State Scholarship Awards Not Properly Controlled**

For the second consecutive year, SLCC awarded state scholarships to ineligible students when SLCC personnel did not comply with internally established guidelines. Those guidelines require a student to demonstrate financial need, as evidenced by an official Student Aid Report (SAR) listing an Expected Family Contribution (EFC) rate of no more than 1,000. Once SLCC became aware that the students were ineligible to receive aid, the college failed to seek repayment by billing the students for tuition and book costs.

SLCC awarded 189 state scholarships, not including waivers to senior citizens and National Guard students, totaling \$110,206 in the summer, fall and spring semesters of the fiscal year ended June 30, 2000. A review of twelve scholarship recipient records revealed that three (25%) were not eligible to receive financial assistance because the EFC rate on the SAR was greater than 1,000. However, the three ineligible students did not repay book costs totaling \$759 and one did not repay tuition costs of \$545.

The college waived the students' tuition and book costs until the SARs were received in the Financial Aid Office. According to the agreement form that each student signed, if the SAR is received after a waiver has been granted and it is determined that the EFC is above 1,000, the student is not eligible for financial assistance and the tuition and book costs are due in full. However, SLCC did not properly notify and bill the students for the fees due back to the college.

SLCC management should ensure compliance with established guidelines for awarding state-funded aid. These procedures should address proper billing procedures for students that owe money back to the college. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

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#### **Noncompliance with Procurement Regulations by Artificially Dividing Purchases**

SLCC did not comply with state purchasing laws and regulations when purchases were artificially divided as a means of avoiding the requirement to solicit bids from vendors. Louisiana Revised Statute 39:1596 provides that any procurement not exceeding the amount established by executive order of the governor may be made in accordance with small purchase procedures prescribed by such executive order (Executive Order 98-20), except that purchases cannot be artificially divided so as to constitute a small purchase. Executive Order 98-20 provides that purchases exceeding \$500, but not exceeding \$2,000, are required to have had solicitations by telephone, facsimile, or other means to at least three bona fide bidders.

A test of four vendor files disclosed the following instances in which purchases were made in stages, thus reducing the individual purchase amount below the \$500 level, which required the solicitation of bids:

- Three televisions, each costing \$499, were purchased from one vendor at eight-day intervals.
- Two requisitions were processed on the same day to purchase three carts from the same vendor. One requisition was for \$499.94 and the other was for \$250. A fourth cart was purchased from the same vendor within the same month.
- Eight filing cabinets with a total cost of \$960 were purchased from one vendor within a period of eight days.
- Forty stackable chairs with a total cost of \$800 were purchased from one vendor within a period of nine days.

These conditions exist because management has not placed adequate emphasis on compliance with procurement laws and regulations. Failure to comply with procurement laws increases the risk that the best prices may not be obtained and public funds may be misspent.

Management should establish and implement policies and procedures that include provisions for compliance with the state's procurement laws and regulations. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 4).

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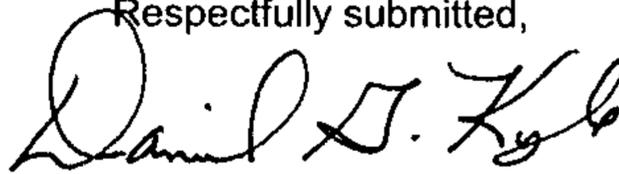
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The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the college. The varying nature of the recommendations, their implementation costs, and their potential impact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

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,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G Kyle, CPA, CFE  
Legislative Auditor

EPM:BMcC:DSP:ss

[SLCC]

## Appendix A

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



# SOUTH LOUISIANA COMMUNITY COLLEGE

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November 13, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Re: Accounting Control Weakness and Student Accounts Receivable

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

**RESPONSE:**

South Louisiana Community College concurs.

**CORRECTIVE ACTIONS:**

**Accounting Control Weakness**

SLCC has implemented procedures to ensure timely deposits. Deposits will be made daily via tamper-resistant night drop bags provided by the bank that will allow for the safekeeping and deposit of funds.

The former employee's signature has been removed from the signature card. Conflicting bank requirements delayed the process.

SLCC has converted the non-interest bearing bank account to an interest-bearing account.

**Student Accounts Receivable**

SLCC did not have technical support for the SCT system; therefore, the system defaults were used in lieu of the institution's policies and procedures. Additionally, SLCC's staff had not been properly trained on the SCT system.

*A Member of the Louisiana Community and Technical College System*

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1013 Perret St., Franklin, LA 70538  
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**Student Accounts Receivable (Continued)**

In order to ensure adequate internal control over student accounts receivable the following actions are being taken: (1) review of all transactions posted to each student account; (2) secure on-site technical support from SCT for the business and admissions/registrar areas; and (3) update SCT system to comply with SLCC's policies and procedures.

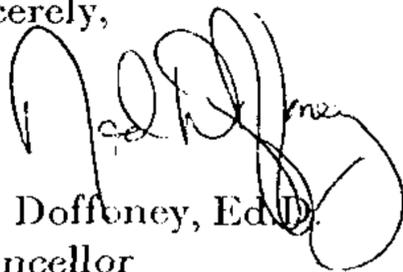
The SCT software application, SIS, has been modified to include subcodes which identify financial aid awards posted to student accounts. Additionally, the use of on-line receipts will ensure timely posting to student accounts.

Student account reconciliation is an ongoing process. SLCC has been informed by SCT that system limitations will continue to be a problem for SLCC because the system resides on the mainframe of Delgado Community College in New Orleans. The remote site contributes to the difficulty in effectively implementing all facets of the SCT system, such as batch programs and reporting. Additionally, the version of SCT currently being used is old and missing essential features, thus hindering the maintenance of student accounts.

The long-range corrective action plan is that the Louisiana Community and Technical College System Board has purchased an administrative software system and SLCC is scheduled to be part of the first implementation group.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Ned Doffney". The signature is stylized with a large initial "N" and a long, sweeping underline.

Ned Doffney, Ed.D.  
Chancellor



# SOUTH LOUISIANA COMMUNITY COLLEGE

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November 8, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Re: State Scholarship Awards Not Properly Controlled

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College submits the following:

**RESPONSE:**

South Louisiana Community College concurs.

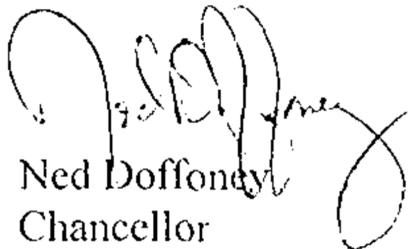
**CORRECTIVE ACTIONS:**

Effective Fall 2000, the institution has instituted new policies and procedures for processing state scholarship awards. Requests for financial aid must be accompanied by an official Student Aid Report before the start of the semester. The deadline date is published by the Financial Aid Office. This process will eliminate the need to seek repayment from students.

Student account reconciliation is a continuous process due to the systematic problems the institution encountered with the SCT system. Students not qualifying for tuition awards were billed on October 16, 2000; student not qualifying for book awards were billed on November 1, 2000. In order to properly define the SCT tables and post to the student accounts, South Louisiana Community College had to secure technical support from SCT's help desk and is currently being trained on site by SCT.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,

  
Ned Doffoney  
Chancellor

*A Member of the Louisiana Community and Technical College System*

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# SOUTH LOUISIANA COMMUNITY COLLEGE

---

November 8, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Re: *Noncompliance with Procurement Regulations by Artificially Dividing Purchases*

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College submits the following:

**RESPONSE:**

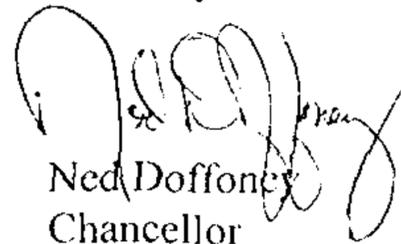
South Louisiana Community College concurs.

**CORRECTIVE ACTIONS:**

The institution has put into place changes to ensure compliance with procurement laws and regulations. Requests for goods and services require a requisition that is reviewed and approved by the Business Office. The responsibility for purchasing goods and services has been centralized in the Business Office. In addition, several members of the fiscal staff are participating in an on-going purchasing training program sponsored by the Office of State Purchasing with the first workshop scheduled for November 29, 2000.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,

  
Ned Doffoney  
Chancellor

*A Member of the Louisiana Community and Technical College System*

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