

LOUISIANA TECHNICAL COLLEGE - REGION 4
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED FEBRUARY 4, 2009

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

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

December 22, 2008

**LOUISIANA TECHNICAL COLLEGE - REGION 4
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana**

As part of our audit of the Louisiana Community and Technical College System's (System) financial statements for the year ended June 30, 2008, we considered the Louisiana Technical College - Region 4's (region) internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the region'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 region's internal control over compliance with requirements that could have a direct effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the region's compliance with laws and regulations that could have a direct and material effect on the major federal program as required by U.S. Office of Management and Budget Circular A-133.

The financial information of the region provided to the System is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The region's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Louisiana Technical College for the year ended June 30, 2007, we reported findings relating to unlocated and stolen movable property, and inadequate controls over Pell grant. The finding related to unlocated and stolen movable property has been resolved by management. The finding relating to inadequate controls over Pell grant is addressed again in this management 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, 2008.

Weakness Over Return of Federal Pell Grant Program Funds

The region did not maintain sufficient controls over the Federal Pell Grant Program (CFDA 84.063) to ensure that refunds for students who ceased attending class during the semester were sent back to the System. The U.S. Code of Federal Regulations Title 34, Chapter 668, Section 22 states that when a recipient of a Title IV grant withdraws from the institution during a payment period or period of enrollment, the institution must determine the amount of Title IV grant that the student earned as of the student's withdrawal date. Section 22 (iii) (F) states that when a student ceases attendance at an institution that is required to take attendance, the student's withdrawal date is the last date of academic attendance as determined by the institution's attendance records. According to Louisiana Technical College (LTC) policy, attendance is to be tracked and maintained for various reporting purposes.

During procedures performed on the Federal Pell Grant Program, one of 10 students (10%) tested ceased attending school during the semester and unearned funds totaling \$625 were not refunded to the System. The instructor did not inform the financial aid officer that the student ceased attending class. This is the second consecutive period that we identified control weaknesses regarding Pell grant refunds. Failure to maintain sufficient control over program refund requirements may subject the region to disallowed costs by the grantor agency. Questioned costs total \$625.

Management of the region should require all employees to adhere to program regulations and established procedures to ensure that the appropriate funds are returned when a student officially withdraws or ceases attending class. Management concurred with the finding and outlined corrective action (see Appendix A, pages 1-2).

Inadequate Controls Over Purchasing

The region did not have adequate controls over purchasing at the LTC - Lafayette campus and LTC - Acadian campus to detect fraudulent quotes. In a report dated July 25, 2008, the System's internal auditor disclosed that a vendor provided fraudulent quotes to the Lafayette and Acadian campuses, which resulted in nine purchases from the vendor totaling \$150,215. In addition, the internal auditor's report disclosed that an instructor at the Lafayette campus, who received the vendor's quotes, also received at least two payments from the vendor for machine work and programming services. This work was performed on campus equipment. Good internal control requires that policies and procedures over purchases be formalized in writing and monitored and that those procedures should include the verification of quotes by the appropriate staff and supervisor. Louisiana Revised Statute (R.S.) 42:1111(c)(2)(d) prohibits the receipt of a thing of economic value by a public servant for services rendered to or for persons who have or are seeking to obtain a contractual or other business or financial relationship with the public servant's agency. R.S. 39:1594 requires competitive sealed bidding for certain types and levels of contracts.

The System's Internal Audit report identified the following at the LTC - Lafayette campus:

- A vendor submitted his quotes along with fraudulent quotes for eight other vendors to ensure that he secured seven purchases for machinery and equipment totaling \$121,346. The System's internal auditor obtained statements from six of the vendors that those quotations submitted were not their quotes and Internal Audit determined that the other two vendors did not exist.
- The instructor involved violated System policies regarding the use of System facilities and disclosure of outside employment. In addition, the instructor may have violated the Louisiana Code of Governmental Ethics by accepting payments from the vendor for services performed for the vendor.
- On one purchase totaling \$55,455, campus personnel did not comply with R.S. 39:1594 requiring competitive sealed bidding.

For the LTC - Acadian campus, the System's internal auditor noted that this same vendor created fraudulent quotes for the same six vendors noted above at the Lafayette campus to secure two purchases at Acadian totaling \$28,869.

The quotes were received by instructors at each campus and subsequently provided to the employees responsible for purchasing. No other verification procedures were performed on any of the quotes. Failure to establish and follow control procedures increases the risk that errors or fraud could occur and remain undetected and could result in noncompliance with state laws and regulations. The LTC - Lafayette campus instructor resigned on August 7, 2008, and the vendor has been arrested.

Management of the region should establish controls over purchasing to ensure that errors and/or fraud are identified in a timely manner and to ensure compliance with state laws and regulations. Management should also pursue the possible ethics violation with the Louisiana Board of Ethics and other proper authorities. Management concurred with the finding and outlined corrective action (see Appendix A, pages 3-4).

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

This letter is intended for the information and use of the region and its management, others within the region, the Louisiana Community and Technical College System, and the Louisiana Legislature 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

TS:BH:EFS:PEP:dl

LTCR4-08

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



Louisiana Technical College ♦ Region 4 ♦ *"World Class Technology in Your Own Backyard"*

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www.greateracadianaregion.net

Phyllis A. Dupuis
Regional Director

May 10, 2008

Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Enclosed please find an official response for Louisiana Technical College, Region 4 – Lafayette Campus related to the audit finding for our agency. The response includes all of the required elements as indicated in your letter. Should you have questions about this response or need additional information, please do not hesitate to contact me.

Sincerely,

Phyllis Dupuis
Regional Director

PD/jh

Enclosure

ACCREDITED BY THE COUNCIL ON OCCUPATIONAL EDUCATION

MEMBER OF THE LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM ♦ AN EQUAL OPPORTUNITY EMPLOYER

LAFAYETTE CAMPUS – LAFAYETTE
ACADIAN CAMPUS – CROWLEY
C.B. COREIL CAMPUS – VILLE PLATTE
EVANGELINE CAMPUS – ST. MARTINVILLE
GULF AREA CAMPUS – ABBEVILLE
TECHE AREA CAMPUS – NEW IBERIA
T.H. HARRIS CAMPUS – OPELOUSAS

Weakness Over Return of Federal Pell Grant Program Funds

Management of LTC, Region 4 concurs with the finding and recommendation set forth during the audit of this agency.

Management within LTC, Region 4 will require all employees to adhere to program regulations and established procedures to ensure that the appropriate funds are returned when a student officially withdraws or ceases attending class.

A corrective action plan to address this finding includes:

- I. Person responsible: India Powell
Connie Chopin
- Campus administrator: Phyllis Dupuis

II. Corrective action plan:

The following activities have been initiated since the evaluation by auditors:

1. Instructors have participated in an inservice activity including steps for informing the student affairs office of student exits.
2. Student eligibility for receipt of Financial aid (Pell) checks received during the Spring 2008 semester were verified by each instructor for disbursement prior to distribution. Instructors were asked to verify student attendance after which checks were distributed.
3. An audit of student progress/eligibility was conducted at the campus at the end of the Spring 2008 semester to identify potential student issues related to financial aid.
4. Beginning Summer 2008, instructors will be required to verify their students attendance prior to requesting Pell funds.

III. Anticipated completion date: August 2008



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Phyllis A. Dupuis
Regional Director

December 2, 2008

Mr. Steve J. Theriot CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Enclosed please find an official response for Louisiana Technical College Region 4 – Lafayette and Acadian Campuses related to the audit finding for our agency. The response includes all of the required as indicated in your letter. Should you have questions about this response or need additional information, please do not hesitate to contact me.

Sincerely,

Phyllis Dupuis
Regional Director

Enclosure

ACCREDITED BY THE COUNCIL ON OCCUPATIONAL EDUCATION

MEMBER OF THE LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM ♦ AN EQUAL OPPORTUNITY EMPLOYER

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TECHE AREA CAMPUS – NEW IBERIA
T.H. HARRIS CAMPUS – OPELOUSAS

Inadequate Controls Over Purchasing

Management of LTC Region 4 concurs with the finding and recommendations set forth during the audit of this agency.

A corrective action plan has been instituted as follows:

A faculty meeting/workshop has been held at all LTC Region 4 campuses including Lafayette and Acadian concerning the process to be used in purchasing. These processes include instructions on bidding per state purchasing guidelines.

The following policies were established/revised pertaining to the processing of bids:

1. Sealed bids will no longer be received directly by the person responsible for opening the bids, they will be received by the budget analyst (Diedre Harrington); this individual will also be responsible for logging bids to include date and time received.
2. Bids will be opened by the procurement specialist 2 (Van Clement or Yolanda Donnatto); each serving as witness for the other in the bid opening process. One serving in the capacity as originator the other as witness. Should either procurement specialist not be available to act as witness; the Associate Director of Business Affairs (Paula Lejeune) shall witness the bid opening.
3. The originator of the bid will prepare a list of bidders and results; time and date of opening and secure the signatures of all campus employees. The originator shall secure the log of bids from the budget analyst and attach it to the listing/award document.

The Chief Financial Officer – Arlene Hoag will be responsible for overseeing compliance with all purchasing processes.

Anticipated completion date: December 2008