

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 27, 2017

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Baton Rouge Community College



December 2017

Audit Control # 80170025

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2017, we performed procedures at Baton Rouge Community College (BRCC) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of BRCC's internal controls over financial reporting and compliance; and determine whether BRCC complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

BRCC is a part of the System and reported an enrollment of more than 8,000 students for the Fall 2016 semester. Capital Area Technical College (CATC) merged with BRCC effective July 1, 2013. The mission of BRCC is to identify and meet the educational and workforce needs of the community through innovative, accessible, and dynamic programs.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the BRCC management letter dated December 21, 2016. We determined that management has resolved the prior-year finding related to Untimely Notification and Transfer of Delinquent Student Accounts.

Current-year Findings

Noncompliance over Return of Title IV Funds

BRCC did not return \$520,628 of Federal Title IV funds to the U.S. Department of Education (USDOE) within 45 days of the date of determination of withdrawal as required by Federal regulations. Failure to timely perform the return of funds calculations and remit the related funds to USDOE results in noncompliance with Federal regulations.

During our procedures, we noted untimely return of Title IV funds. BRCC management represented that this issue was pervasive throughout the fiscal year because staff were unaware of the time requirement and disclosed the following:

- For the Summer 2016 semester, BRCC did not return Federal funds for 51 students totaling \$37,412 to USDOE within 45 days of determining the student's withdrawal dates as required by Federal regulations. The late returns ranged from 28 to 178 days after the required 45-day period.
- For the Fall 2016 semester, BRCC did not return Federal funds for 231 students totaling \$262,945 to USDOE within 45 days of determining the student's withdrawal dates as required by Federal regulations. The late returns ranged from one to 254 days after the required 45-day period.
- For the Spring 2017 semester, BRCC did not return Federal funds for 197 students totaling \$220,271 to USDOE within 45 days of determining the student's withdrawal dates as required by Federal regulations. The late returns ranged from one to 189 days after the required 45-day period.

The Code of Federal Regulations [Title 34, Chapter VI, Part 668.22(a)(1)] requires the institution to determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. Furthermore, Part 668.22(j)(1) requires the institution to return unearned program funds within 45 days of the determination date of withdrawal. Management did not ensure controls were in place to initiate the process by performing the calculation of the unearned funds in the Banner student system in a timely manner.

Management should establish controls to ensure the calculation is performed timely enough to ensure that unearned funds by withdrawn students are returned to USDOE within the required program timeframes. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Noncompliance with Student Technology Fee Plan

BRCC incorrectly used student technology fees to pay salaries and related benefits totaling \$174,597 and \$86,136, respectively, for five employees in the Student Help Desk Center, during fiscal year 2017. These employees' salaries and related benefits were not included in the annual student technology fee budget and, therefore, should not have been eligible for payment with student technology fees. In addition, BRCC was unable to provide records to show the approval of the current student technology fee plan that restructured the technology fee committee membership from a majority student membership to a minority student membership.

Louisiana Revised Statute (R.S.) 17:3351.1(B)(1) states that proceeds from the assessment of the student technology fee shall be used in accordance with a written plan developed by the institution for purposes of implementing, replacing, improving, and expanding technologies to benefit student life and learning. BRCC's student technology fee plan, effective September 14, 2012, states that no expenditures will be made using student technology fees except as authorized in the annual budget, which must be developed and approved by a majority of the

technology fee committee members. BRCC's technology fee committee agreement dated April 14, 2005, states, "The Student Technology Fee Plan may be amended only upon a vote of at least two-thirds of the members of the Student Technology Fee Oversight Committee and of a majority of the members of the Student Government Senate."

BRCC management should ensure expenses paid with technology fees are only for the items included in the annual budget in accordance with the student technology fee plan. In addition, management should obtain proper approval of the student technology fee plan. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Noncompliance with Purchase Regulations

BRCC did not comply with regulations for the purchasing of goods and services. In a test of 20 nonpayroll transactions, we noted that total payments to two vendors exceeded \$25,000 for recurring purchases, thus requiring a competitive process. However, BRCC did not competitively bid all items. Procedures disclosed the following:

- 350 invoices totaling \$166,850 were processed for similar items for the welding program from the same vendor. Of these invoices, BRCC did not obtain bid solicitations for 112 invoices totaling \$48,255. BRCC stated it is unable to predict the exact welding supplies needed for a sufficient bid, since the welding supplies are based on student enrollment and obtaining bid solicitations may cause interruption in the educational process.
- 17 invoices totaling \$37,016 were paid for similar items for the athletic programs from the same vendor. Of these invoices, BRCC did not obtain bid solicitations for 10 invoices totaling \$13,174.

The Louisiana Procurement Code (R.S. 39:1594 and 39:1596) and the Small Purchases Executive Orders (BJ 10-16 and JBE 16-39) prescribe regulations that must be followed when purchasing goods and services. These regulations have been prescribed to ensure competitive pricing and that opportunities are provided to all qualified vendors.

BRCC did not comply with these requirements because management did not have procedures in place to monitor vendor purchase totals. Failure to comply with purchasing regulations increases the risk that the college will not obtain competitive pricing and that opportunities are not provided to all qualified vendors.

BRCC management should ensure all purchases comply with the applicable purchase regulations. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Inadequate Controls over Movable Property

BRCC did not maintain and accurately report equipment as required by State equipment regulations. BRCC's annual certification of property inventory for the Mid-City campus, which

was submitted to the Louisiana Property Assistance Agency (LPAA) on April 21, 2017, was disapproved by LPAA because of an unacceptable amount of current-year discrepancies.

The certification disclosed \$1,967,708 in unlocated movable property for the current period, mostly computers and computer-related equipment, and \$58,237 for items reported as unlocated in the previous three years that remained unlocated in fiscal year 2017. In addition, a review of the LPAA Asset Management System late additions report for July 1, 2016, through June 30, 2017, disclosed that BRCC entered 46 assets with an acquisition cost totaling \$337,368 from 33 to 314 days after the 60-day period required by the Louisiana Administrative Code.

Failure to establish sufficient controls over property increases the risk of loss arising from theft or unauthorized use, noncompliance with State laws and regulations, and possible errors and misstatements in financial reporting. Furthermore, because of the nature of services provided by BRCC, there is risk that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Good internal controls require adequate monitoring of movable property to safeguard against loss or theft. In addition, the Louisiana Administrative Code states that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. BRCC represented that since the submission of the annual property certification, it has located approximately \$518,095 of property previously reported as unlocated.

Management should strengthen internal controls to ensure that all movable property is adequately secured and monitored, and continue to devote efforts to locating movable property previously reported as unlocated. In addition, management should implement internal controls to ensure all applicable items are tagged and reported to LPAA within 60 days. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

Untimely Termination of Access to the Banner System

BRCC did not timely deactivate user access to its Banner Enterprise Resource Planning system for terminated employees. During the fiscal year ended June 30, 2017, Banner user IDs belonging to five (17%) of 30 terminated employees were disabled from 18 to 69 days after termination of employment. Untimely termination of user access increases the risk of unauthorized access, compromised data, and/or misappropriation of assets.

Management attributed the untimeliness to a lack of consistent communication between the Human Resources and Information Technology departments. Good internal control should ensure that access to data is removed immediately for those employees who have retired, were terminated, transferred to a different department, or who, for other reasons, no longer have a business need.

Management should implement procedures for the timely deactivation of user access to Banner in accordance with the System policy. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 5).

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, 2017, we considered BRCC's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Cash and Cash Equivalents, Receivables resulting from tuition and fees, Due from Federal Government, and Capital Assets

Liabilities - Accounts Payable and Accrued Liabilities and Unearned Revenues

Net Position - Net 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, Federal Nonoperating Revenues, and Capital Appropriations

Expenses - Educational and General

Based on the results of these procedures on the financial statements, we reported findings related to Noncompliance with Student Technology Fee Plan, Noncompliance with Purchase Regulations, Inadequate Controls over Movable Property, and Untimely Termination of Access to the Banner System, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2017, we performed internal control and compliance testing on the Special Tests and Provisions – Return of Title IV Funds compliance requirement of the Student Financial Assistance Cluster of Federal programs.

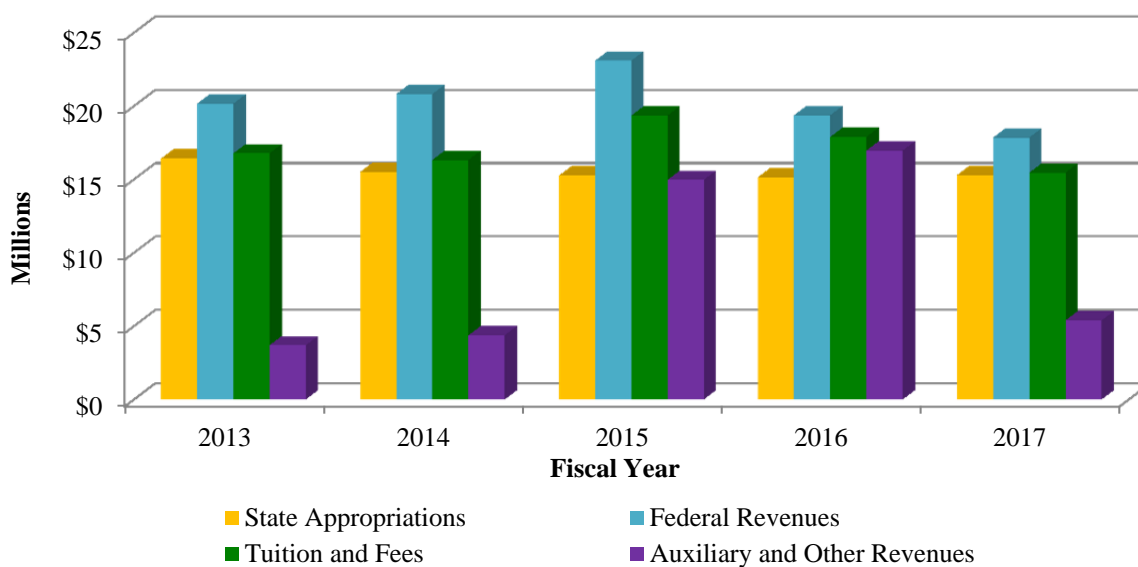
Based on the results of these Single Audit procedures, we reported a finding related to Noncompliance over Return of Title IV Funds that will also be included in the Single Audit for the year ended June 30, 2017.

Trend Analysis

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

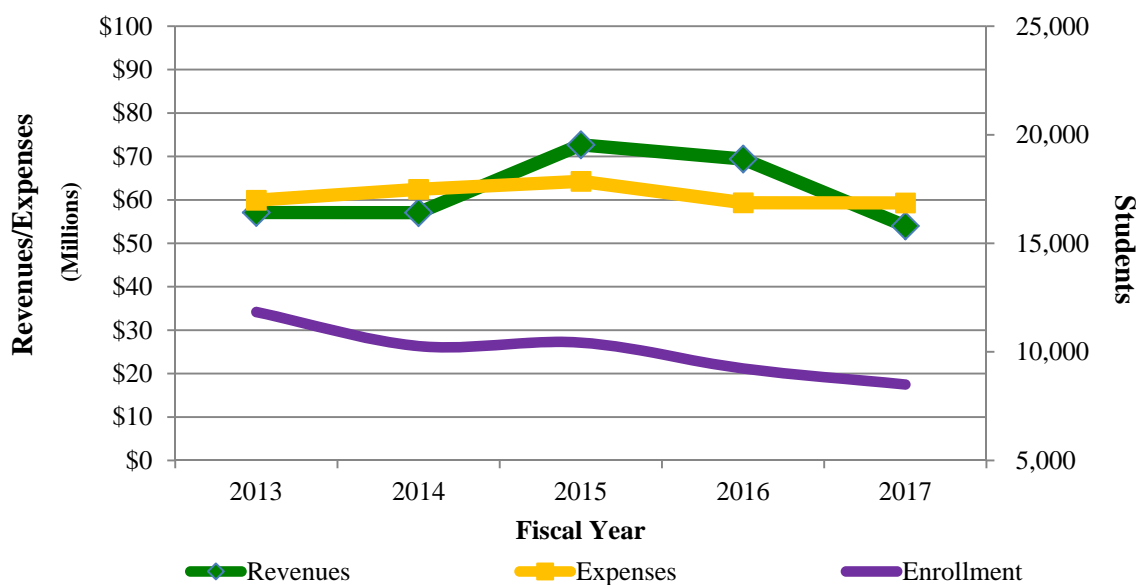
In analyzing the financial trends of BRCC over the past five fiscal years, we found that since fiscal year 2013, State appropriations have decreased approximately 7%, due to a decreasing budget statewide. Tuition and fee revenues have decreased 8%. The decrease in tuition and fee revenues is attributed mainly to a continual decrease in student enrollment.

Exhibit 1
Five-Year Revenue Trend



Source: Fiscal Year 2013-2017 BRCC and CATC Annual Fiscal Reports, as adjusted

Exhibit 2 Fiscal/Enrollment Trends



Source: Fiscal Year 2013-2017 BRCC and CATC Annual Fiscal Reports, as adjusted, and Board of Regents website

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

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

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KLD:CLL:BQD:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSES



201 Community College Drive Baton Rouge, Louisiana 70806

December 13, 2017

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: *Noncompliance over Return of Title IV Funds*

Dear Mr. Purpera:

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Noncompliance over Return of Title IV Funds". Although the funds were returned and it did not create a fiscal impact to the students or the college, the management of the college recognizes its responsibility for maintaining compliance with federal regulations.

The corrective action plan is outlined below to mitigate future risk and errors:

- Annual training for all financial aid staff to ensure awareness and compliance of federal regulations
- Run monthly reports to ensure that unearned funds by students who have withdrawn are captured and returned to the United States Department of Education within the required time frame.

This corrective action plan is on-going and should be fully implemented by April 30, 2018. The Director of Financial Aid is responsible for ensuring compliance with the corrective actions listed above.

Sincerely,

Dr. Larissa Littleton-Steib
Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Dr. Toni Manogin, BRCC Vice Chancellor for Academic and Student Affairs
Dr. Teresa Jones, BRCC Executive Director of Student Development
Miracle Davis, BRCC Director of Financial Aid



201 Community College Drive Baton Rouge, Louisiana 70806

December 13, 2017

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: *Noncompliance with Student Technology Fee Plan*

Dear Mr. Purpera:

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Noncompliance with Student Technology Fee Plan". The management of the college recognizes its responsibility for maintaining compliance with Louisiana Revised Statute 17:3351.1 (B)(1).

The corrective action plan is outlined below to mitigate future risk and errors:

- The Student Technology Fee plan will be reviewed and updated
- The Student Technology Fee plan will be properly submitted for approval and documented
- All expenditures for the Student Technology Fee plan will be presented to the committee in its entirety for review and approval

This corrective action plan is on-going and should be fully implemented by January 31, 2018. The Chief Information Officer is responsible for ensuring compliance with the corrective actions listed above.

Sincerely,

Dr. Larissa Littleton-Steib
Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, BRCC Vice Chancellor for Finance and Administration
Ronald Solomon, BRCC Chief Information Officer



201 Community College Drive Baton Rouge, Louisiana 70806

December 13, 2017

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: *Noncompliance with Purchase Regulations*

Dear Mr. Purpera:

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Noncompliance with Purchase Regulations". The management of the college recognizes its responsibility for maintaining compliance with state regulations.

The corrective action plan is outlined below to mitigate future risk and errors:

- Establish and implement procedures that will monitor vendor purchases
- Analyze previous years expenditures to determine trends and identify repetitive purchases that should be placed on bids

This corrective action plan is on-going and currently being implemented. The Vice Chancellor for Finance and Administration and the Assistant Director of Purchasing is responsible for ensuring compliance with the corrective actions listed above.

Sincerely,

Dr. Larissa Littleton-Steib
Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, BRCC Vice Chancellor for Finance and Administration
Hilary Stephenson, BRCC Assistant Director of Purchasing



201 Community College Drive Baton Rouge, Louisiana 70806

October 20, 2017

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: *Inadequate Controls over Movable Property*

Dear Mr. Purpera:

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Inadequate Controls over Movable Property". The management of the college recognizes its responsibility for establishing controls over moveable property to ensure that all college property is secured and accounted for on all 8 sites.

During the annual inventory certification for this period, the college wanted to ensure that all assets on the college's inventory were accurately accounted for and scanned into the inventory system. This proved to be challenging as there was high turnover in staff in various departments and multiple college sites to inventory. The certification was submitted with a reported \$1,967,708 in un-located assets and \$336,000 in late additions. The college continues to search for un-located assets and to date have located \$748,126 in assets.

BRCC is implementing the following corrective action plan to mitigate future risk and errors:

- Review and Revision to the procedures relative to moveable property
- Campus wide training on moveable property procedures to all employees.
- Quarterly Inventories that will be certified by appropriate Administration.
- Establish procedures that will ensure staff transitions will not impact compliance with moveable property.
- Physically relocate property to receiving to ensure that property receives first line of notification of incoming assets.

This corrective action plan is on-going and should be fully implemented by March 31, 2018. The Property Manager, Director of Accounting and Finance and, Vice Chancellor for Finance and Administration are responsible for ensuring compliance with the corrective actions listed above.

Respectfully,

Larissa Littleton-Steib, BRCC Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, BRCC Vice Chancellor for Finance and Administration



201 Community College Drive Baton Rouge, Louisiana 70806

December 5, 2017

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: *Untimely Termination of Access to the Banner System*

Dear Mr. Purpera:

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Untimely Termination of Access to the Banner System". The management of the college recognizes its responsibility for establishing controls for expiring access for terminated employees.

The corrective action plan is outlined below to mitigate future risk and errors:

- Re-establish the termination notification and ensure that it is routed to appropriate departments for terminating access.
- Ensure the employees record is terminated in the system timely
- Develop and document standard operating procedures on terminating an employee's records, including notifications to appropriate departments.
- Host training sessions to department supervisors to ensure the proper protocols are being followed when an employee is terminating.

This corrective action plan is on-going and should be fully implemented by March 31, 2018. The Chief Human Resources Officer and Chief Information Officer are responsible for ensuring compliance with the corrective actions listed above.

Sincerely,

Dr. Larissa Littleton-Steib
Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, BRCC Vice Chancellor for Finance and Administration
Mary Gloston, BRCC Interim Chief Human Resources Officer
Ronald Solomon, BRCC Chief Information Officer

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Baton Rouge Community College (BRCC) for the period from July 1, 2016, through June 30, 2017, 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 and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2017.

- We evaluated BRCC'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 BRCC.
- Based on the documentation of BRCC's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain BRCC account balances and classes of transactions to support the opinion on the System's financial statements.
- We performed procedures on the BRCC's Student Financial Assistance Cluster for the year ended June 30, 2017, as a part of the 2017 Single Audit.
- We compared the most current and prior-year financial activity using BRCC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from BRCC's management for significant variances.

The purpose of this report is solely to describe the scope of our work at BRCC and not to provide an opinion on the effectiveness of BRCC'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 BRCC's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. BRCC's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.