

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 23, 2015

**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.

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 \$0.70. 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. 5841 or Report ID No. 80150093 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 # 80150093

Baton Rouge Community College

December 2015

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, 2015, we performed procedures at Baton Rouge Community College (BRCC) to provide assurances on financial information that is significant to the System's financial statements and to evaluate the effectiveness of BRCC's internal controls over financial reporting. In addition, we determined whether management had 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 10,000 students for the fall 2014 semester. The mission of BRCC is to identify and meet the educational and workforce needs of our 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 October 22, 2014. We determined that management has resolved the prior-year finding related to the lack of controls over payroll.

Current-year Findings

Inadequate Controls over the Assessment and Refunding of Student Tuition and Fees

BRCC did not maintain adequate controls over the assessment and refunding of student tuition and fees.

Audit procedures identified the following:

- Capital Area Technical College (CATC) merged with BRCC effective July 1, 2013, and a separate student module was maintained for those students in a

technical program. A review of 68 student accounts in the CATC student module disclosed the following:

- Twelve students (18%) were overcharged \$880 because the Banner student system was incorrectly set up to charge the online registration fee per course rather than per student per term.
- Twelve students (18%) were undercharged a total of \$1,470 when a course was dropped from their class schedule. The students being undercharged was the result of fees being incorrectly set up in the Banner student system and apparent system calculation errors that BRCC is currently investigating.
- Six students (9%) were overcharged/undercharged for online courses because the courses were incorrectly set up in the Banner student system to charge regular campus-based tuition rates rather than online rates. Five students were overcharged a total of \$747, while one student was undercharged \$202.
- One student (1%) was undercharged \$521 as the result of being assessed pre-merger rates in error. State law provides that students who were attending CATC at the time of the merger were to be allowed to complete their program or course of study at no greater cost than those applicable to the student prior to the merger with BRCC, provided the student completes the program or course of study within two years of such merger. BRCC has not implemented adequate controls to track former CATC students to ensure the correct tuition rates are charged, and this particular student was adjusted to pre-merger rates in error.
- A review of 42 student accounts in the BRCC student module of the Banner system disclosed that two students (5%) were undercharged a total of \$1,206 when courses were dropped from their class schedule because of apparent system calculation errors that BRCC is currently investigating. Also, although BRCC posted general refund guidelines, the specific dates for which students were eligible for various percentage refunds of tuition and fees were not clearly posted or available for students for the Fall 2014 semester.

BRCC Management should ensure the refund policy, including percentages to be refunded and applicable dates, are posted in the academic calendar or otherwise made available to all students, and should ensure that all courses are properly set up in the Banner student system, along with the tuition rates to be charged and approved refund rules. In addition, management should continue to investigate the apparent calculation errors in the system to properly address the cause of these errors. When the cause is determined, management should evaluate student accounts to determine if any additional overpayments or underpayments have been made. Any overcharged amounts should be credited to the student accounts or refunded to the students and efforts should be made to collect on undercharged accounts. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Inaccurate Annual Fiscal Report

BRCC failed to prepare an accurate Annual Fiscal Report (AFR), resulting in inaccurate financial information being submitted to the System and significant delays in the audit process for fiscal year 2015.

Errors identified by the auditors in the original AFR and subsequent revisions included the following:

- Net receivables and student tuition and fees were both overstated by approximately \$3.7 million. BRCC erroneously included the fall semester of calendar year 2015 as fiscal year 2015 transactions.
- Capital assets were understated by approximately \$1.8 million. BRCC did not record donated land and buildings in error.
- Scholarship allowances and scholarship and fellowship expenses were both overstated by \$800,982 as the result of an inaccurate student refunds report used in the preparation of the AFR.
- The Statement of Cash Flows included approximately \$9.6 million of non-cash activity improperly classified as cash activity.
- An addition of land totaling \$470,000 was improperly recorded as buildings in the capital assets note to the financial statements.

BRCC provided the auditors with the original AFR on August 23, 2015, and revisions to the AFR on September 17, 2015, and October 12, 2015. Although BRCC submitted two revisions to the original AFR in an attempt to correct errors identified by the auditors, the final revision still contained significant errors that had to be corrected with additional audit adjustments. As of November 1, 2015, BRCC had not provided the auditors with a worksheet to support the revised Statement of Cash Flows.

Preparers of the AFR did not maintain adequate documentation to support amounts presented in the AFR, and management did not perform a thorough review of the AFR. As a result, multiple revisions to the AFR and material adjustments to the financial statements were necessary. Inadequate preparation and review of the AFR increases the risk of material misstatement in the financial statements, requiring additional work by auditors. In addition, misstatements in the college's AFR can cause misstatements in the System's financial statements.

BRCC management should ensure that financial statement preparers are knowledgeable of financial reporting standards and maintain adequate supporting documentation for amounts presented in the AFR. In addition, management should conduct a thorough review of the AFR before submitting it for preparation of the System AFR. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 2-3).

Untimely Termination of Access to the Banner System

BRCC did not timely deactivate user access to its Banner Enterprise Resource Planning (ERP) system for terminated employees. During the fiscal year ended June 30, 2015, Banner user IDs belonging to 22 employees were disabled from 14 to 220 days after termination of employment. Untimely termination of user access increases the risk of unauthorized access, compromised data, and/or misappropriation of assets.

BRCC management explained that this risk was mitigated by the termination of network access, which would limit the ability for the user to access the Banner system. However, as of November 3, 2015, 10 (45%) of the 22 employees' network access had not been disabled, and six (27%) of the 22 employees' network access had not been disabled timely (20 to 290 days after termination of employment). Furthermore, we noted one employee with a Banner user ID to the Banner Student Module with no legitimate business need.

Management has not placed sufficient emphasis on ensuring that access controls are effective. Good internal control should ensure that access to data is removed immediately for those employees who have retired, were terminated, or transferred to a different department, or who, for other reasons, no longer have a business need.

Management should establish written policies and procedures for the monitoring and deactivation of user access to Banner and ensure access is limited to current employees with valid business needs. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

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, 2015, we considered BRCC's internal controls 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, and due from federal government

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

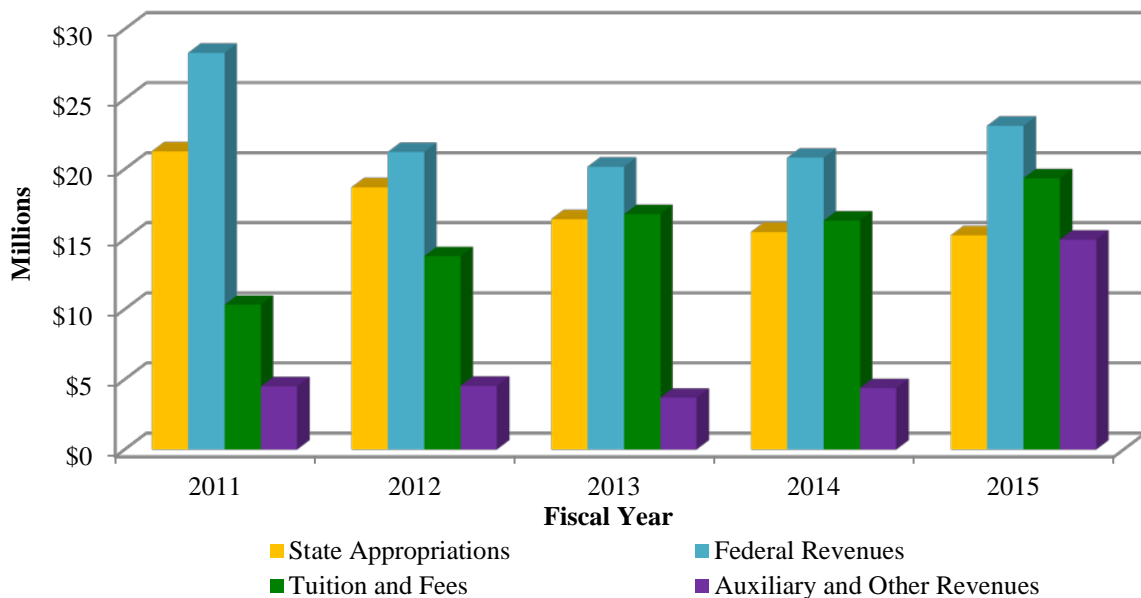
Based on the results of these procedures on the financial statements, we reported findings regarding inadequate controls over the assessment and refunding of student tuition and fees, inaccurate annual fiscal report, and untimely termination of access to the Banner system, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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 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.

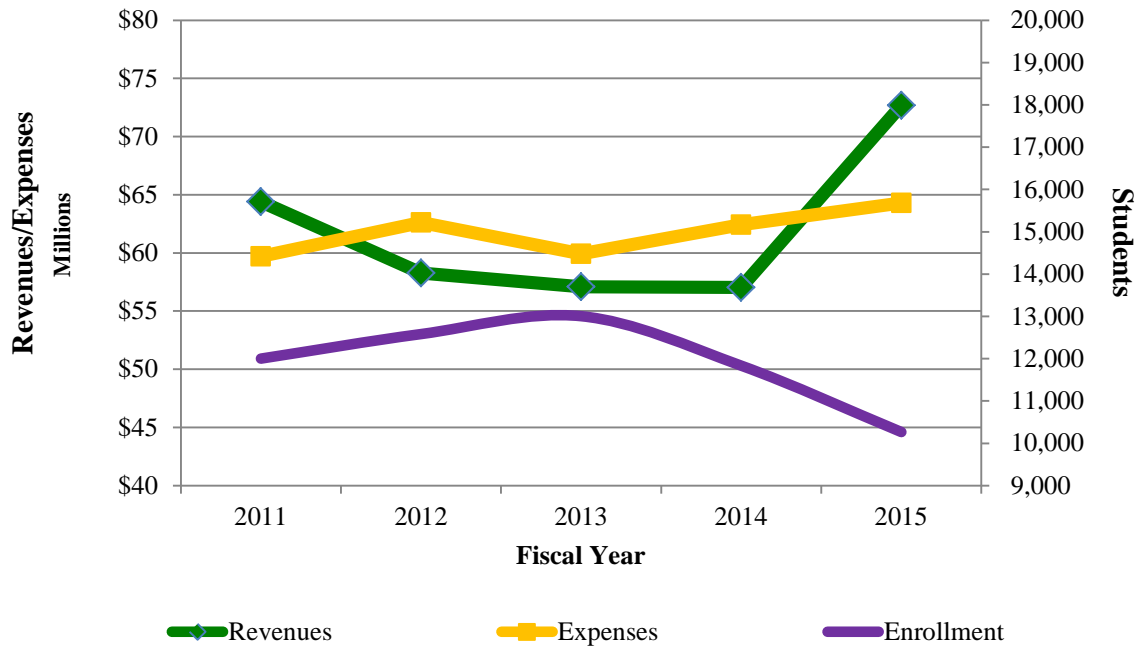
In analyzing financial trends of BRCC over the past five fiscal years, we found that since fiscal year 2011 tuition revenues have steadily increased as state appropriations have decreased. The increase in tuition is attributed mainly to increases permitted by the GRAD Act (Act 741 of the 2010 Regular 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: Fiscal Year 2011-2015 BRCC and CATC Annual Fiscal Reports, as adjusted

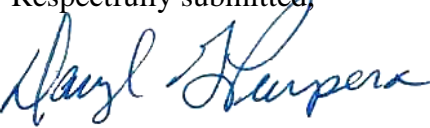
**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Year 2011-2015 BRCC and CATC Annual Fiscal Reports, as adjusted, and CATC Student Enrollment System database

The recommendations in this letter represent, in our judgment, those which are 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.

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

ZMF:CLL:BQD:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSES



201 Community College Drive Baton Rouge, Louisiana 70806

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

Re: Inadequate Controls over the Assessment and Refunding of Student Tuition and Fees

Dear Mr. Purpera:

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Inadequate Controls over the Assessment and Refunding of Student Tuition and Fees." The College recognizes its responsibility for assurances that adequate controls are in place for accurate assessment of tuition and fees and refunds to students.

The corrective action plan below outlines activities that will be implemented to mitigate future risk and errors identified in the audit:

- The Bursar and Registrar will collaborate to develop Exception Reports by January 2016 to identify inconsistencies in selected fee assessment criteria. Identified inconsistencies will be reviewed by designated Bursar and Registrar's Office staff and approved by the Bursar and Registrar, who will make adjustments, as necessary, to ensure that student fees are accurately assessed.
- Effective immediately, the Bursar will be responsible for entering approved tuition and fees and refund schedules in the BANNER ERP student system. These entries will be reviewed and approved by the Director of Accounting and Finance.
- The posting of specific dates for which students are eligible for refunds was corrected in the spring 2015 semester. The Bursar's Office will continue to ensure those dates are posted for student access.
- The Bursar is currently working with LCTCS ERP Financial Aid & Accounts Receivable Specialist to identify errors in the BANNER system that are causing calculation errors on student accounts as a result of dropping courses.

This corrective action plan is on-going and should be fully implemented by January 31, 2016. Ms. Tishunda Matthews, Bursar, Ms. Allison Leblanc, Director of Accounting and Finance, Ms. Erin Blake, Registrar, Dr. Teresa Jones, Executive Director for Enrollment Management and Ms. Helen Harris, Vice Chancellor for Finance and Administration are responsible for ensuring compliance with the corrective actions listed above.

Respectfully,

Dennis Michaelis, Interim Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, Vice Chancellor for Finance and Accounting
Dr. Teresa Jones, Executive Director for Enrollment Management
Allison Leblanc, Director for Accounting and Finance
Erin Blake, Registrar
Tishunda Matthews, Bursar



201 Community College Drive Baton Rouge, Louisiana 70806

December 8, 2015

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

Re: Inaccurate Annual Fiscal Report

Dear Mr. Purpera:

Management of Baton Rouge Community College (BRCC) concurs with the finding related to “Inaccurate Annual Fiscal Report.”

The College recognizes its responsibility for accurate financial reporting and has made significant changes to ensure that accurate and timely information is processed, managed, and reported from the Office of Accounting and Finance.

The corrective action plan is outlined below to mitigate future risk and errors identified in the audit:

- Personnel – As soon as the misstatements were made known to management, changes were made to the personnel responsible for financial reporting.
 - The vacant position, Director of Accounting and Finance, has since been filled.
 - The current incumbent meets bi-weekly with the Vice Chancellor for Finance and Administration to discuss applicable policy, procedures, and to strategize improvements.
 - Training is being developed in-house by the Director of Accounting and Finance for current accounting staff to include:
 - BANNER
 - Financial Analysis
 - Preparing Financial Statements
 - Accounts Receivables Analysis
 - Preparing Supporting Documentation
 - Preparing Journal entries relative to capital assets
 - External training opportunities will be explored:
 - Southern Association for Colleges & Universities Business Officers (SACUBO) Drive-In for Accountants
 - National Association for Colleges & Universities Business Officers (NACUBO)
 - Community Colleges Business Officers

December 8, 2015

Mr. Purpera
Page 2 of 2

- Financial Reporting
 - Monthly Reconciliations will be completed by the accounting staff and reviewed by the Director of Accounting and used as training aids.
 - Inclusion of all board agenda items relative to BRCC that have a financial impact will be a part of the monthly reconciliation process to ensure accurate and timely accounting.
 - The Director of Accounting will ensure appropriate documentation and compliance of reporting procedures by implementing an internal audit within the department to be reviewed by the Vice Chancellor Finance & Administration quarterly.
 - Supporting documentation for all financial entries will be maintained by the Director of Accounting and made available upon request.
 - The AFR will be submitted to management 14 calendar days prior to the due date to the LCTCS system office to allow for proper review by the Vice Chancellor for Finance and Administration.
 - Schedule a meeting in January 2016 with BRCC designated Legislative Audit Manager, Director of Accounting and Finance, and Vice Chancellor for Finance and Administration to proactively review corrective action plan and to develop appropriate training for accounting staff.
 - The Chief Information Officer will provide dedicated IT support to the accounting and finance staff during the AFR preparation.

The vacancy of the critical position of Director of Accounting and Finance created significant delays in addressing requests from the auditors and providing supporting documentation. Multiple versions of the financial statements were submitted in an attempt to accommodate the auditors' requests in a timely fashion. Communication with the LCTCS System Office Director of Fiscal Affairs was extant during the AFR review and will continue in the future.

This corrective action plan is on-going and will be fully implemented by June 30, 2016. We do not anticipate this will be a repeat finding. Ms. Helen Harris, Vice Chancellor for Finance and Administration and Ms. Allison Leblanc, Director of Accounting and Finance are responsible for ensuring compliance with the corrective actions listed above.

Sincerely,



Dennis Michaelis, Interim Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, Vice Chancellor for Finance
Allison Leblanc, Director of Accounting and Finance
Ron Solomon, Chief Information Officer



201 Community College Drive Baton Rouge, Louisiana 70806

December 8, 2015

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
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 College recognizes its responsibility for adequate digital security and has made significant changes to ensure that timely processing occurs between the Offices of Human Resources and Information Technology.

The corrective action plan is outlined below to mitigate future risk and errors identified in the audit:

- Human Resources Director or designee will immediately update the Chief Information Officer and BANNER Security Administrator at BRCC of staff terminations by email the day of termination.
- The Chief Information Officer is currently drafting policies and procedures for the following to be completed by January 31, 2016:
 - To provide access to termed employees’ emails based on business need; emails will be downloaded offline and provided to supervisors and authorized employees upon approval by Appointing Authority or designee.
 - Monitoring and deactivation of user’s access to the BRCC network upon termination.
- A reconciliation of the termination report generated during payroll processing by LCTCS, named “Termed Employees – INB access”, is currently being used to disable the Active Directory accounts. This report is generated bi-weekly and the BANNER Security Administrator acts accordingly upon receipt of the report.
- The BANNER Security Administrator will generate the COGNOS Banner Security Access Report monthly and place it on a shared drive for review by BANNER module approvers to ensure appropriate BANNER access is granted to BRCC users.

This corrective action plan is on-going and should be fully implemented by January 31, 2016. We do not anticipate a repeat finding. Ms. Terri Ricks, Director of Human Resources and Mr. Ronald Solomon, Chief Information Officer are responsible for ensuring compliance with the corrective actions listed above.

Respectfully,

Dennis Michaelis, Interim Chancellor

C: Dr. Monty Sullivan, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Ronald Solomon, Chief Information Officer
Terri Ricks, Director of Human Resources

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Baton Rouge Community College (BRCC) for the period from July 1, 2014, through June 30, 2015, 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, 2015.

- 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 BRCC's 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 BRCC's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from BRCC 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.