

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MAY 27, 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

April 22, 2009

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As part of our audit of the Louisiana Community and Technical College System's financial statements for the year ended June 30, 2008, we considered Baton Rouge 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*. In addition, we considered the Baton Rouge Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the college's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of the Baton Rouge 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 opinions.

In our prior management letter on Baton Rouge Community College for the year ended June 30, 2008, we reported findings on inadequate control over Pell Grants, inadequate controls over Federal Work-Study Program, payment on behalf of foundation, noncompliance with purchasing regulations, inadequate controls over purchasing, and failure to obtain required report for the Endowed Chair and Endowed Professorship Program. All of these findings have been resolved by management.

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.

Inadequate Controls Over Financial Reporting

Baton Rouge Community College (BRCC) has not established adequate internal control over its financial reporting process. The Louisiana Community and Technical College System (LCTCS) requires its colleges, including BRCC, to prepare and submit an Annual Fiscal Report (AFR) for inclusion in the LCTCS AFR. LCTCS provided a template and required the colleges to submit their AFR's for the fiscal year ended June 30, 2008, by August 25, 2008. Good internal control includes establishing a process to ensure timely and accurate financial reporting, including a thorough review of the individual colleges' AFRs to detect and correct any errors before submitting the AFRs to LCTCS.

BRCC originally provided its 2008 AFR to the auditors and LCTCS on August 25, 2008. However, because of errors identified by the auditors and LCTCS personnel, BRCC subsequently provided three revisions to its AFR. The final revision was completed by BRCC on September 15, 2008. The following errors were identified:

- Cash and accrued liabilities per the Statement of Net Assets (SNA) were understated by \$345,351 because of an incorrect system entry, which liquidated payroll payables in error. This also resulted in a corresponding adjustment to the cash footnote disclosure.
- Liabilities for other postemployment benefits (OPEB) on the SNA and operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) were overstated by \$315,700 because of a compilation error made by the contracted CPA and not detected by BRCC before submitting the AFR to LCTCS.
- The decrease in receivables reported in the reconciliation of operating loss to net cash used by operating activities on the Statement of Cash Flows included an overstatement of \$5,872 because of errors, which were unsupported and could not be explained.
- Deposits in bank accounts per bank as reported in the cash footnote disclosure were understated by \$1,188,317 because of an error in compilation. BRCC reported cash per the SNA rather than cash per bank.

BRCC's management did not ensure that its 2008 AFR was properly prepared and reviewed before submitting it to LCTCS. Failure to ensure accurate preparation of the AFR could result in misstatements, whether because of errors or fraud. In addition, failure to submit an accurate AFR delays the audits of BRCC and LCTCS, which could delay the compilation and issuance of the state's Comprehensive Annual Financial Report (CAFR).

BRCC's management should strengthen its review procedures over financial reporting to ensure that its AFR is accurately prepared and reviewed before submitting to LCTCS. Management partially concurred with the finding and outlined a plan of corrective action. Management disagreed with the statement regarding the submission of the college's

AFR. We subsequently corrected the date in the finding to resolve this issue; however, management declined to provide a revised response.

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the college. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the college should be considered in reaching decisions on courses of action. The finding, which relates 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, others within the college, 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

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BRCC08

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Management's Corrective Action
Plan and Response to the
Finding and Recommendation



Office of the Chancellor

www.mybrcc.edu

201 Community College Drive • Baton Rouge, Louisiana 70806

March 6, 2009

Mr. Edward T. Martin, CPA
Audit Manager
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Martin:

Management of Baton Rouge Community College partially concurs with the annual financial report finding related to inadequate controls over financial reporting. Management disagrees with the LLA's statement regarding the submission date of the college's annual financial report. The annual financial report for BRCC was submitted timely to the LCTCS on August 25, 2008.

The management of Baton Rouge Community College recognizes its responsibility for timely and accurate reporting of the financial position of the college. The errors noted on the 2008 annual financial report was the result of several factors. The payroll error was an oversight. The college contracted with a consultant to assist with the preparation of the annual financial report. The consultant prepared the OPEB information that resulted in the error noted. The \$5,872 error noted on the cash flow statement resulted in a difference of .2% on the cash flow statement. This is a negligible amount considering our total cash transactions. The cash footnote disclosure was an oversight in that the cash book balance was reported instead of the bank balance. This did not affect the cash amount reported on the Statement of Net Assets.

The Vice Chancellor for Administration and Finance/Audits position was vacant at the time of the 2008 AFR submission which did not allow for an additional level of review. Since that time, a Vice Chancellor for Administration and Finance/Audits has been hired and will be responsible for reviewing existing internal controls over financial reporting. In addition, the Vice Chancellor for Administration and Finance/Audits will serve as an additional reviewer of the annual financial report before it is submitted.

Ms. Pam Diez, Vice Chancellor for Administration and Finance/Audits, who has numerous years of experience in the LCTCS and LSU system, is responsible for ensuring compliance with the corrective actions listed above.

Respectfully,

Myrtle E. B. Dorsey, Ph.D.
Chancellor

MEBD/pm

Cc: Dr. Joe May, President, LCTCS
Mr. Allen Brown, Director of Internal Audits, LCTCS
Ms. Pam Diez, Vice Chancellor for Administration and Finance/Audits