

RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 21, 2011

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

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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 has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Two copies of this public document were produced at an approximate cost of \$8.42. 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 Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 6130 or Report ID No. 80110042 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

Our procedures at the River Parishes Community College (RPCC) for the period July 1, 2009, through June 30, 2011, disclosed the following:

- RPCC does not have adequate internal control procedures over the financial reporting process to ensure that the annual fiscal report (AFR) provided to the Louisiana Community and Technical College System (LCTCS) was accurately prepared. A material audit adjustment to the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows as well as a number of adjustments to various other accounts and note disclosures were required.
- RPCC's policy on hardship waivers did not specifically address the eligibility criteria and procedures for obtaining hardship waivers for the academic excellence and operational fees as required by LCTCS policy and state law.

This report is a public report and has been distributed to state officials. We appreciate RPCC's assistance in the successful completion of our work.

Mission

RPCC is one of sixteen Louisiana colleges managed under the LCTCS. The college is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award associates degrees. RPCC is an open-admission, two-year, post-secondary public institution serving the river parishes of Louisiana.

RPCC's stated mission is to provide transferable courses and curricula up to and including certificates and associates degrees. RPCC also partners with the communities it serves by providing programs for personal, professional, and academic growth.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 2, 2011

**RIVER PARISHES COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Sorrento, Louisiana

As required by Louisiana Revised Statute 24:513 and as part of our audit of the Louisiana Community and Technical College System's (LCTCS) financial statements for the year ended June 30, 2011, we conducted certain procedures at River Parishes Community College (RPCC) for the period from July 1, 2009, through June 30, 2011.

- Our auditors obtained and documented a basic understanding of RPCC's operations and system of internal controls through inquiry, observation, and review of the RPCC's policies and procedures documentation, including a review of the laws and regulations related to RPCC.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using RPCC's annual fiscal reports (AFR) and/or system-generated reports and obtained explanations from RPCC management for any significant variances.
- Our auditors considered internal control over financial reporting and examined evidence supporting RPCC's account balances and classes of transactions material to LCTCS's financial statements as follows: education and general expenses, accounts payable and accruals, net assets, and operating leases. We also tested RPCC's compliance with laws and regulations that could have a direct and material effect on LCTCS's financial statements. These procedures were performed in accordance with *Government Auditing Standards* as part of our audit of LCTCS's financial statements for the fiscal year ended June 30, 2011.

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

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration.

Inaccurate Financial Reporting

RPCC does not have adequate internal control procedures over the financial reporting process to ensure that the AFR provided to the LCTCS was accurately prepared. As authorized by state law [Louisiana Revised Statute 39:79], the commissioner of administration through the Division of Administration, Office of Statewide Reporting and Accounting Policy prescribes the content and format for the preparation of RPCC's AFR, which is then submitted to the LCTCS for inclusion in the LCTCS AFR. Good internal control over financial reporting should include an effective compilation and review process to ensure the accuracy of the financial information reported to LCTCS.

A review of RPCC's AFR for the fiscal year ended June 30, 2011, disclosed the following errors on the Statement of Net Assets (SNA); Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA); Statement of Cash Flows (SCF); and related notes to the financial statements, which resulted in significant adjustments to the financial statements:

- Management overstated revenues and expenses by \$4,086,135. RPCC incorrectly included direct loan receipts on the SRECNA as federal nonoperating revenues with related errors in scholarship allowances and scholarships and fellowships expense. According to Governmental Accounting Standards Board Statement No. 35, direct lending is financial aid that should not be recognized as revenue by the institution, which acts only as an intermediary for the student's loan.
- Management incorrectly included \$4,086,135 of direct loan receipts and disbursements twice in its SCF.
- Management misclassified \$129,895 of net assets on the SNA and related note disclosure, resulting in an understatement of restricted net assets and an overstatement of unrestricted net assets.
- Management did not thoroughly analyze its accounts payable, resulting in a net understatement of \$12,745 on its SNA. The understatement also required corresponding adjustments to the SRECNA, SCF, and the related note disclosure.
- Management incorrectly reported several amounts on its cash note, Deposits with Financial Institutions. RPCC incorrectly reported the book balance in the breakdown of the deposits in bank accounts per bank, resulting in an understatement of \$197,341. In addition, the petty cash balance of \$1,400 was incorrectly included in the book balances.
- Management incorrectly completed its lease note. The amounts reported for future minimum lease payments for fiscal year 2014 were overstated by \$1,200 and the amounts reported for fiscal year 2015 were overstated by \$49,893. In addition, the note for future minimum lease payments was

reported by each individual lease and/or amendment. Leases should be reported by the nature of the lease.

Several factors contributed to these errors, including implementation of the RPCC's new accounting system. Also, management did not follow established reporting guidelines and requirements and did not analyze and adjust the accounts in its accounting system before preparing its AFR. Failure to ensure accurate preparation of the AFR could result in undetected errors that may materially misstate the RPCC's financial statements.

RPCC management should become more familiar with authoritative financial recording and reporting guidance and should begin analyzing all accounts to make all adjustments necessary to the records to reflect current, accurate financial information. In addition, the compilation process should include the performance of analytical procedures and a high level supervisory review of financial information and note disclosures to detect and correct errors in a timely manner. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Noncompliance With Louisiana Laws for Fee Waivers

The RPCC policy did not specifically address that the hardship waivers can include academic excellence and operational fees. The LCTCS policy changed during fiscal year 2011 to specifically include waivers of the operational and academic excellence fees as required by state law; however, the RPCC waiver policy does not specifically address those fees.

Failure to establish a policy for a hardship waiver of the academic excellence and operational fees results in noncompliance with the LCTCS policy and state law. This noncompliance may also result in financial loss to eligible students who were not aware of the waivers.

RPCC management should establish a policy to specifically address the eligibility criteria and the procedures for obtaining hardship waivers for the academic excellence and operational fees in accordance with the LCTCS policy and state law. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

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

This letter is intended for the information and use of RPCC and its management, others within RPCC, LCTCS and its Board of Supervisors, 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,

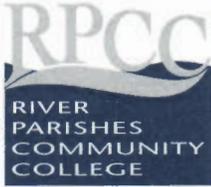
A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DSG:NMW:EFS:THC:dl

RPCC 2011

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



November 28, 2011

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inaccurate Financial Reporting

Dear Mr. Purpera,

I concur with the finding that River Parishes Community College (RPCC) annual financial report did have errors in need of correction.

Since I alone prepared the annual financial report, I am personally responsible for these errors.

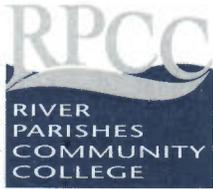
All errors in the annual financial report noted by the Louisiana Legislative Auditor are corrected. In the future, the Business Office staff will increase research from authoritative sources in the classification of financial transactions. Adding this step to the financial statement preparation process will aid in preventing misclassifications in the reporting of financial information. The Business Office staff will also increase internal review of the financial statements. Specifically, I will require the staff who prepared sub schedules to review relevant portions of the Annual Financial Report to ensure accuracy. The implementation of a new accounting information system will also help the speed and accuracy in preparing future annual financial reports. This new accounting information system will add uniformity to the financial reporting process and is another internal control in preventing reporting errors.

If you have any questions or concerns, please feel free to contact me.

Sincerely,

Clen Burton
Vice Chancellor for Finance and Administration

Cc: Joe Ben Welch



October 28, 2011

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Hardship Waiver Policy

Dear Mr. Purpera,

We concur with the finding that RPCC did not specifically address that our hardship waiver can include operational and excellence fees.

While the financial aid department did post RPCC's hardship waiver policy on our website and the posting did specifically state that students were eligible for both tuition and fee waivers, the posted policy did not specifically delineate that this waiver policy covers operational and excellence fees.

Our financial aid department has corrected this omission on our website. Have you have any questions or concerns, please feel free to contact Clen Burton.

Sincerely,

Clen Burton
Vice Chancellor for Finance and Administration

Cc: Joe Ben Welch