

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Community and  
Technical College System  
State of Louisiana  
Baton Rouge, Louisiana

January 29, 2003



***Financial and Compliance Audit Division***

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**Albert J. Robinson, Jr., CPA**

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

Basic Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 2002  
With Supplemental Information Schedule

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, New Orleans, and Shreveport offices of the Legislative Auditor.

January 29, 2003

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Basic Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 2002  
With Supplemental Information Schedule

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December 20, 2002

Independent Auditor's Report  
on the Financial Statements

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

We have audited the accompanying basic financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002. These financial statements are the responsibility of management of the Louisiana Community and Technical College System. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Community and Technical College System as of June 30, 2002, and its changes in financial position, including cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

LEGISLATIVE AUDITOR

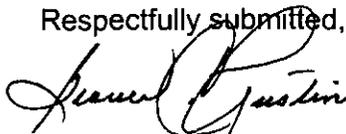
**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Audit Report, June 30, 2002

As discussed in notes 1-A, 6, and 16 to the financial statements, the state changed its capitalization policy for fixed assets and the Louisiana Community and Technical College System adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB Statement Number 35, for the fiscal year ended June 30, 2002. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002, on our consideration of the Louisiana Community and Technical College System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information schedule of per diem paid board members on page 45 is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Louisiana Community and Technical College System. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Grover C. Austin, CPA  
First Assistant Legislative Auditor

BQD:MB:PEP:ss

[LCTCS02]

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Louisiana Community and Technical College System's financial performance provides an overall review of the System's financial activities for the fiscal year ended June 30, 2002. Since this Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the System's basic financial statements and the footnotes.

The MD&A is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* issued in June 1999 as amended by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities* issued in November 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A; however, because this is the first year of reporting under the new model, certain necessary comparative information of the previous year was not reported. Considering the financial resources necessary to prepare this information for the prior year and that the GASB Statement No. 34 permits omission of the comparative information in the first year of adoption of the new reporting model, the System has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**USING THIS ANNUAL FINANCIAL REPORT**

This financial report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, the Notes to the Financial Statements, and other Supplementary Information.

The Basic Financial Statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 16) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 17) presents information showing how the System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

The Cash Flow Statement (pages 18-19) presents information showing how the System's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the System's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other Supplementary Information that further explains and supports the information in the financial statements.

The System's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the System are included in the Statement of Net Assets.

**FINANCIAL HIGHLIGHTS**

Enrollment increased from 38,315 to 47,241 or 23.3% from fall of 2000 to fall of 2001. The reason for this change is attributed to:

- ◆ Bossier Parish Community College  
Instruction of new curricula during the current year
- ◆ Baton Rouge Community College  
Continuing student growth
- ◆ Delgado Community College  
Slow down in economy usually results in enrollment increases. People are unemployed and looking to be retrained to change careers.
- ◆ Louisiana Delta Community College
  - Courses of study were provided at sites in this community college's twelve parish region
  - Four-year schools are becoming more restrictive in admissions policies forcing some students into community colleges.
  - The following degree programs were approved during the first year of operation:
    - Associate of Arts in Liberal Arts
    - Associate of General Studies
    - Associate of General Science
    - Associate of Science in Business Technology

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

- ◆ Louisiana Technical College  
Changing from a quarterly based academic year to a semester based academic year
- ◆ Elaine P. Nunez Community College  
Continuing student growth
- ◆ River Parishes Community College  
Increase in marketing and expanded curriculum and degree options  
Increased enrollment
- ◆ South Louisiana Community College  
Enrollment growth of the emerging community college

**FINANCIAL ANALYSIS**

**Net Assets**

The System's net assets are \$106,063,054 at June 30, 2002. Of this amount, \$7,070,368 is unrestricted net assets; \$5,334,834 is restricted net assets; and \$93,657,852 is invested in capital assets, net of related debt. Restricted net assets are reported separately to show legal constraints from enabling legislation that limit the System's ability to use those net assets for day-to-day operations.

**Table A-1  
Summary of Net Assets  
June 30, 2002 (in thousands)**

	Activities	Percent of Total
Current assets	\$50,100	33.20%
Noncurrent assets:		
Capital assets, net of depreciation	94,076	62.33%
Assets under capital leases	4,105	2.72%
Restricted cash and cash equivalents	268	0.18%
Other noncurrent assets	2,372	1.57%
Total assets	<u>150,921</u>	<u>100.00%</u>
Current liabilities	28,835	64.28%
Noncurrent liabilities	16,023	35.72%
Total liabilities	<u>44,858</u>	<u>100.00%</u>
Net assets:		
Invested in capital assets, net of related debt	93,658	88.30%
Restricted	5,335	5.03%
Unrestricted	7,070	6.67%
Total net assets	<u><u>\$106,063</u></u>	<u><u>100.00%</u></u>

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

This schedule is prepared from the System's Statement of Net Assets as shown on page 16, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Louisiana Community and Technical College System's combined net assets were \$106,063,054 on June 30, 2002. Of this amount, \$93,657,852 was invested in capital assets, net of related debt; \$7,070,368 was unrestricted net assets; and \$5,334,834 was restricted net assets. See note 15 (page 39) of the notes to the financial statements for details of restricted net assets.

- ◆ Louisiana Community and Technical College System, Board of Supervisors  
The Board Office's net assets are \$220,490 at June 30, 2002. Of this amount, \$205,436 is unrestricted net assets; (\$63,695) is restricted net assets; and \$78,749 is invested in capital assets.
- ◆ Baton Rouge Community College  
The College's net assets are \$17,702,027 at June 30, 2002. Of this amount, \$1,332,886 is unrestricted net assets; \$308,110 is restricted net assets; and \$16,061,031 is invested in capital assets.
- ◆ Bossier Parish Community College  
The College's net assets are \$2,952,200 at June 30, 2002. Of this amount, \$765,858 is unrestricted net assets; \$1,589,903 is restricted net assets; and \$596,439 is invested in capital assets.
- ◆ Delgado Community College  
The College's net assets are \$21,494,667 at June 30, 2002. Of this amount, \$4,995,310 is unrestricted net assets; \$2,143,139 is restricted net assets; and \$14,356,218 is invested in capital assets.
- ◆ Louisiana Delta Community College  
The College's net assets are \$41,401 at June 30, 2002. Of this amount, (\$129,646) is unrestricted net assets; \$0 is restricted net assets; and \$171,047 is invested in capital assets.
- ◆ Elaine P. Nunez Community College  
The College's net assets are \$17,361,751 at June 30, 2002. Of this amount, (\$10,472) is unrestricted net assets; \$1,207,168 is restricted net assets; and \$16,165,055 is invested in capital assets.
- ◆ River Parishes Community College  
The College's net assets are \$95,407 at June 30, 2002. Of this amount, (\$80,799) is unrestricted net assets; \$71,553 is restricted net assets; and \$104,653 is invested in capital assets.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

- ◆ South Louisiana Community College  
The College's net assets are \$269,656 at June 30, 2002. Of this amount, \$82,876 is unrestricted net assets; \$78,656 is restricted net assets; and \$108,124 is invested in capital assets.
- ◆ Louisiana Technical College  
The College's net assets are \$45,925,455 at June 30, 2002. Of this amount, (\$91,080) is unrestricted net assets; \$0 is restricted net assets; and \$46,016,535 is invested in capital assets.

The current ratio of the System is at 1.74 at June 30, 2002, which means that the System has enough available resources to cover all current outstanding liabilities at June 30, 2002, with resources left over for next year's operations.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation and related debt.

At the end of the current fiscal year, the System reported positive balances in all three categories of net assets, the greatest of which was invested in capital assets. A portion of the net assets was also restricted for student fees, grants, and third-party scholarships. The remaining net assets were unrestricted.

**Changes in Net Assets**

The results of the current year's operations as a whole are summarized in the following table. This Summary of Changes in Net Assets shows the impact operations had on net assets for the fiscal year ended June 30, 2002.

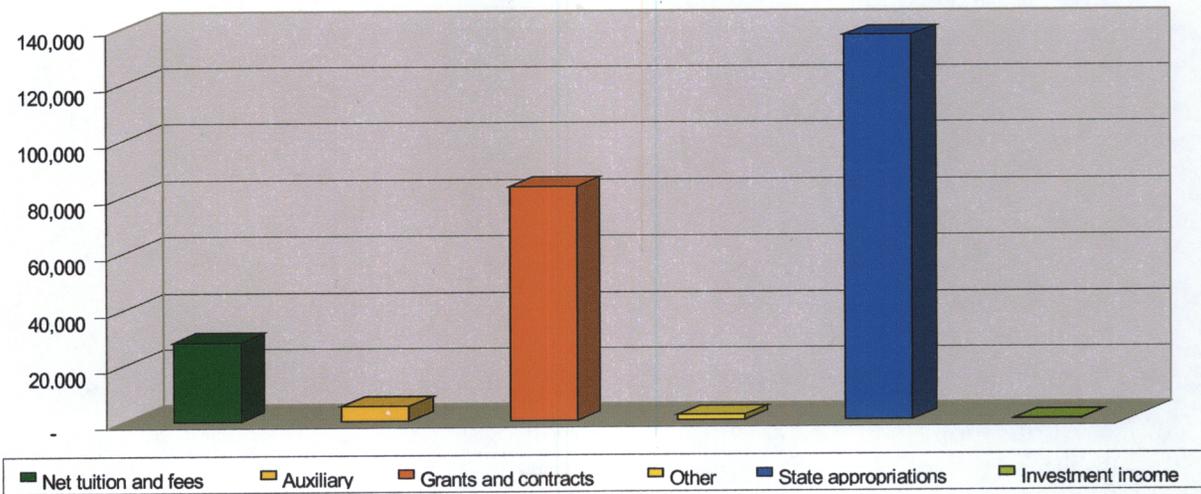
**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**Table A-2  
Summary of Changes in Net Assets  
For the Year Ended June 30, 2002 (in thousands)**

	<u>Activities</u>	<u>Percent of Total</u>
Operating revenues:		
Student tuition and fees, net	\$28,130	23.73%
Auxiliary	5,428	4.58%
Grants and contracts	83,180	70.17%
Other operating revenues	1,798	1.52%
Total operating revenues	<u>118,536</u>	<u>100.00%</u>
Operating expenses:		
Education and general	252,431	97.83%
Auxiliary	3,857	1.50%
Other operating expenses	1,733	0.67%
Total operating expenses	<u>258,021</u>	<u>100.00%</u>
Operating loss	(139,485)	
Nonoperating revenues (expenses):		
State appropriations	136,734	100.78%
Gifts	131	0.10%
Investment income	229	0.17%
Interest expense	(265)	-0.20%
Other nonoperating expenses	(1,156)	-0.85%
Net nonoperating revenues	<u>135,673</u>	<u>100.00%</u>
Capital appropriations	4,298	89.49%
Capital grants and gifts	166	3.46%
Additions to permanent endowments	53	1.10%
Other additions, net	286	5.95%
Total other	<u>4,803</u>	<u>100.00%</u>
Change in net assets	991	
Total net assets - beginning of year	<u>105,072</u>	
Total net assets - end of year	<u><u>\$106,063</u></u>	

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**Chart A-2  
Analysis of Revenue  
For the Year Ended June 30, 2002 (in thousands)**



The System's improved financial position is the product of many factors, but most significantly this is the result of increases in certain categories of state funding, increased enrollment, and aggressive monitoring of student receivables.

**Table A-3  
Education and General Expenses  
For the Year Ended June 30, 2002 (in thousands)**

	<u>Activities</u>	<u>Percent of Total</u>
Education and general expenses:		
Instruction	\$110,145	43.63%
Public service	1,779	0.70%
Academic support	23,772	9.42%
Student services	18,525	7.34%
Institutional support	46,603	18.46%
Operations and maintenance of plant	18,523	7.34%
Depreciation	7,476	2.96%
Scholarships and fellowships	25,608	10.15%
Total education and general expenses	<u>\$252,431</u>	<u>100.00%</u>

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**Statement of Cash Flows**

Another way to assess the financial health of the System is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

**Table A-4  
Summary of Statement of Cash Flows  
For the Year Ended June 30, 2002 (in thousands)**

	Activities
Cash and cash equivalents provided (used) by:	
Operating activities	(\$128,939)
Noncapital financing activities	137,430
Capital financing activities	(6,201)
Investing activities	388
Net increase in cash and cash equivalents	2,678
Cash and cash equivalents - beginning of year	20,174
End of year	\$22,852

As summarized in Table A-4, major sources of funds in operating activities include tuition and fees of \$40,354,888; auxiliary enterprises of \$6,941,400; and grants and contracts of \$67,226,449.

The largest source of cash flows from noncapital financing activities is from state appropriations, which totaled \$136,720,106 for fiscal year 2002.

Cash flows from capital financing activities primarily resulted from capital grants and gifts received of \$165,425 and purchases of capital assets totaling (\$5,877,584).

Cash flows from investing activities result from interest received on investments of \$281,331.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**CAPITAL ASSETS AND LONG-TERM DEBT**

The System has restated the beginning balance of capital assets in the current year to account for a change in the capitalization thresholds. Because of the adoption of GASB Statement No. 34 and GASB Statement No. 35, the System has also begun to record depreciation on capital assets.

**Capital Assets**

As of June 30, 2002, the System had invested \$94,076 (in thousands) in capital assets, net of accumulated depreciation. See note 6 (page 29) of the notes to the financial statements for detailed capital assets changes.

**Long-term Debt**

Capital Leases

All lease covenants have been met.

See notes 13 and 14 in the notes to the financial statements for details relating to changes in and the composition of long-term liabilities and capital leases.

Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in class. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

The System's liability for compensated absences (annual, sick, and compensatory leave) at June 30, 2002, is as follows:

Current liability - estimated to be paid within one year	\$2,215,027
Long-term liability	<u>11,602,786</u>
Total liability for compensated absences	<u>\$13,817,813</u>

This ending balance represents a net increase of \$1,532,531 for the year. Total accruals for compensated absences during the fiscal year were \$13,817,813.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic position of the System is closely related to that of the overall economy. As the economy declines, enrollment for the System tends to increase and likewise as the economy increases enrollment tends to decrease. Since the economy has slowed, a favorable change is expected in enrollment figures and, moreover, a favorable change in revenue. Revenue is also expected to increase because of an increase in tuition effective for the summer of 2002.

In addition, in 2001, the Board of Regents adopted a new Master Plan for Post-secondary Education to be implemented in the year 2005. As part of the Master Plan, four-year institutions will adopt more selective admissions policies that require higher ACT or SAT scores along with other criteria than are currently required. Community colleges will be exempt from this requirement. Predictions from the Board of Regents indicate a substantial increase in enrollment at community colleges because of these policies.

Currently, known facts, decisions or conditions that are expected to have a significant effect on financial position or result of operations are:

- ◆ Louisiana Community and Technical College System - Board of Supervisors
  - Increased participation in state TANF initiatives/grants
- ◆ Baton Rouge Community College
  - Changes in enrollment (Student headcount increased by 62% from fall 2000 to fall 2001)
  - Changes in capital appropriations (construction of new classroom building resulted in a 1047% increase in capital appropriations over fiscal year 2001)
- ◆ Bossier Parish Community College (BPCC)
  - Given the projected increases in enrollment, as well as the requirement from the Southern Association of Colleges and Schools for the College to take concrete steps toward establishing its own campus, the College is planning the construction of a new campus with facilities sufficient to accommodate its current and future needs. The master plan was completed in May 2001. Seventy acres of land on Highway 80 in Bossier City have been procured. The new campus will include classrooms, laboratories, administrative space, a library, a bookstore, a central plant, a student center, a theater/auditorium, and a health and physical education complex.
  - Financing of the construction is being coordinated by a nonprofit corporation. After developing requests for qualifications for the various professional services needed, the corporation has selected a design/build team and has negotiated a final contract for design and construction of

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

the new campus. LCTCS currently owns the land for the new campus and will lease the land to the nonprofit corporation, Campus Facilities, Inc., (CFI) under a ground lease for nominal rent. The Louisiana Local Government Environmental Facilities and Community Development Authority will issue tax-exempt bonds and lend the proceeds of the bonds to CFI to design and construct the new campus and to pay financing costs. CFI will also enter into an equipment lease for certain equipment and furnishings for the college. LCTCS will lease back the completed campus and facilities from CFI under a facilities lease. Rental payments under the facilities lease will be sufficient for CFI to pay debt service on the bonds, make equipment lease payments, and fund a maintenance reserve account. LCTCS will obtain the funds to make rental payments from state appropriations made by the legislature pursuant to a cooperative endeavor agreement between the state, LCTCS, and CFI.

- ◆ Delgado Community College
  - Slowdown in the economy usually results in enrollment increases. People are unemployed and looking to be retrained to change careers.
  - Four-year schools are becoming more restrictive in admissions policies forcing some students into community colleges.
  
- ◆ Louisiana Delta Community College (LDCC)
  - LDCC was created by the Louisiana Legislature through Act 1369 of the 1997 Regular Session and Act 151 of the 1998 First Extraordinary Session in the area of the Monroe Regional Planning and Economic Development District—a twelve parish area in northeast Louisiana covering the Mississippi Delta. LDCC was formed to serve the needs of one of the nation's most economically depressed regions.
  - LDCC is temporarily housed at the Louisiana Technical College-Delta Ouachita Campus in West Monroe. LDCC is currently in the process of preparing specifications for a lease building to be located within the City of Monroe. Staff will work with the Division of Administration, Real Estate Leasing Section, to expedite the process for a summer 2003 occupancy date.
  
- ◆ Elaine P. Nunez Community College
  - The College is currently realizing a larger increase in enrollment for the fall 2002 semester than from previous semesters; however, this condition should not have a significant impact on operations.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Management's Discussion and Analysis (Concluded)

- ◆ River Parishes Community College
  - The College's overall financial position is good. The administration of the College anticipates that the current fiscal year will see an increased number of students as the College continues to grow. Also, the effect of a modest tuition increase (3%) will be seen in the year-end financial statements. The College's administration will continue to review the financial health of the College to maximize its financial resources.
  
- ◆ South Louisiana Community College
  - The economic position of South Louisiana Community College is closely tied to the State of Louisiana. A slow down in the state's economy would have a negative impact on the college.
  - As a developing community college, the institution is largely dependent upon ongoing financial and political support from state government.
  
- ◆ Louisiana Technical College
  - The economic position is closely related to that of the overall economy. As the economy declines, enrollment for the College tends to increase and likewise as the economy increases enrollment tends to decrease. Since the economy has slowed, a favorable change is expected in enrollment figures and, moreover, a favorable change in revenue.

**CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our residents, taxpayers, parents, students, and investors and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Finance Officer at Louisiana Community and Technical College System, 822 Neosho Avenue, Baton Rouge, Louisiana 70802, telephone number (225) 219-8784.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Assets  
June 30, 2002**

**ASSETS**

## Current assets:

Cash and cash equivalents (note 2)	\$22,583,626
Receivables, net (note 4)	11,466,361
Due from state treasury (note 4)	1,042,889
Due from federal government (note 4)	13,390,035
Inventories	1,462,940
Prepayments	154,515
Total current assets	<u>50,100,366</u>

## Noncurrent assets:

Restricted cash and cash equivalents (note 2)	268,166
Investments (note 3)	2,354,864
Notes receivable (net) (note 5)	16,746
Capital assets (net) (note 6)	94,075,988
Assets under capital lease	4,105,399
Total noncurrent assets	<u>100,821,163</u>
Total assets	<u>150,921,529</u>

**LIABILITIES**

## Current liabilities:

Accounts payable and accruals (note 10)	19,255,609
Due to state treasury	133,994
Due to federal government	14,173
Deferred revenues (note 11)	6,801,758
Amounts held in custody for others	245,722
Compensated absences payable (note 14)	2,215,027
Capital lease obligations (notes 14)	72,200
Bonds payable (note 14)	31,000
Other current liabilities	65,871
Total current liabilities	<u>28,835,354</u>

## Noncurrent liabilities:

Compensated absences payable (note 14)	11,602,786
Capital lease obligations (notes 14)	4,175,335
Bonds payable (note 14)	245,000
Total noncurrent liabilities	<u>16,023,121</u>
Total liabilities	<u>44,858,475</u>

**NET ASSETS**

Invested in capital assets, net of related debt	93,657,852
Restricted for: (note 15)	
Nonexpendable	2,300,531
Expendable	3,034,303
Unrestricted	<u>7,070,368</u>
Total net assets	<u>\$106,063,054</u>

The accompanying notes are an integral part of this statement.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2002**

**OPERATING REVENUES**

Student tuition and fees (net of scholarship allowances of \$20,270,222)	\$28,130,545
Federal grants and contracts	66,580,688
State and local grants and contracts	15,624,056
Nongovernmental grants and contracts	975,024
Sales and services of educational departments	550,791
Auxiliary enterprise revenues (net of scholarship allowances of \$958,226)	5,428,222
Other operating revenues	1,246,859
Total operating revenues	<u>118,536,185</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	110,144,619
Public service	1,779,454
Academic support	23,771,533
Student services	18,524,734
Institutional support	46,603,090
Operations and maintenance of plant	18,523,291
Depreciation	7,476,436
Scholarships and fellowships	25,608,090
Auxiliary enterprises	3,857,144
Other operating expenses	1,732,929
Total operating expenses	<u>258,021,320</u>

**OPERATING LOSS**(139,485,135)**NONOPERATING REVENUES (EXPENSES)**

State appropriations	136,733,687
Gifts	131,223
Investment income	229,196
Interest expense	(265,047)
Other nonoperating expenses	(1,155,859)
Net nonoperating revenues	<u>135,673,200</u>

**INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES**(3,811,935)

Capital appropriations	4,298,566
Capital grants and gifts	165,425
Additions to permanent endowment	52,875
Other additions, net	<u>286,077</u>

**INCREASE IN NET ASSETS**

991,008

**NET ASSETS - BEGINNING OF YEAR (RESTATED) (note 16)**105,072,046**NET ASSETS - END OF YEAR**\$106,063,054

The accompanying notes are an integral part of this statement.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$40,354,888
Grants and contracts	67,226,449
Payments to suppliers	(79,023,740)
Payments for utilities	(6,823,501)
Payments to employees	(119,123,466)
Payments for benefits	(24,502,644)
Payments for scholarships and fellowships	(16,653,409)
Auxiliary enterprise charges	6,941,400
Sales and services of educational departments	818,849
Other receipts (payments)	1,846,079
Net cash used by operating activities	<u>(128,939,095)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

State appropriations	136,720,106
Gifts and grants for other than capital purposes	141,354
Private gifts for endowment purposes	412,093
TOPS receipts	798,246
TOPS disbursements	(631,515)
Direct lending receipts	4,033,812
Direct lending disbursements	(4,032,097)
Student organization agency transactions	(11,842)
Net cash provided by noncapital financing sources	<u>137,430,157</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:**

Capital appropriations received	8,678
Capital grants and gifts received	165,425
Proceeds from capital debt	4,143
Purchases of capital assets	(5,877,584)
Principal paid on capital debt and leases	(235,873)
Interest paid on capital debt and leases	(266,209)
Net cash used by capital financing activities	<u>(6,201,420)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales and maturities of investments	150,696
Interest received on investments	281,331
Purchase of investments	(44,219)
Net cash provided for investing activities	<u>387,808</u>

Net increase in cash and cash equivalents	2,677,450
Cash at beginning of the year	<u>20,174,342</u>
Cash at end of the year	<u><u>\$22,851,792</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows, 2002**

<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating loss	(\$139,485,135)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation expense	7,476,436
Changes in assets and liabilities:	
Increase in accounts receivable, net	(5,712,607)
Decrease in inventories	278,585
Decrease in prepaid expenses	37,185
Decrease in other assets	1,012
Increase in accounts payable	3,070,691
Increase in deferred revenue	3,819,580
Increase in amounts held in custody for others	67,666
Increase in compensated absences	1,507,492
	<u>1,507,492</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u><u>(\$128,939,095)</u></u></b>

**Noncash and Noncapital Financing Transactions**

Louisiana Community and Technical College System institutions provided noncash scholarships totaling \$870,098.  
Baton Rouge Community College received capital appropriations for construction of buildings totaling \$4,289,888.

(Concluded)

The accompanying notes are an integral part of the financial statements.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2002

**INTRODUCTION**

The Louisiana Community and Technical College System is a publicly supported institution of higher education. The system is a component unit of the State of Louisiana, within the executive branch of government. The system is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the system, and changes to the degree programs, and departments of instruction of the individual institutions require the approval of the Louisiana Board of Regents of Higher Education. The board of supervisors is comprised of 15 members appointed for six-year terms by the governor, with the consent of the Senate, and two student members appointed for one-year terms. One student member is selected by and from a council composed of the student body presidents of the system's community colleges, and one student member is selected by and from a council composed of the student body presidents of the system's technical college campuses. As a state institution, operations of the system's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of the system is the president.

The Louisiana Community and Technical College System includes all programs of public post-secondary vocational/technical training and the institutions of higher education that offer associate degrees but not baccalaureate degrees. The system is comprised of seven community colleges--Baton Rouge Community College, Bossier Parish Community College, Delgado Community College, Elaine P. Nunez Community College, Louisiana Delta Community College, River Parishes Community College, and South Louisiana Community College--and the Louisiana Technical College, which includes 42 campuses throughout the state.

Student enrollment for the community and technical college system for the 2001 fall semester totaled 30,837 full-time equivalent students. During fiscal year 2002, the community and technical college system had approximately 3,933 faculty and staff.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. As a component unit of the State of Louisiana, the Louisiana Community and Technical College System is required to adopt GASB Statement Nos. 34 and 35, as amended by GASB Statement Nos. 36, 37, and 38. The financial statement presentation required by GASB Statement Nos. 34 and 35 replaces the fund-group perspective previously required and provides a comprehensive, entity-wide perspective of the system's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Louisiana Community and Technical College System is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the colleges within the system primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of the Louisiana Community and Technical College System.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

**C. BASIS OF ACCOUNTING**

For financial reporting purposes, the system is considered a special-purpose government engaged only in business-type activities. All activities of the system are accounted for within a single proprietary (enterprise) fund. Accordingly, the Louisiana Community and Technical College System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The system has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The system has elected to not apply FASB pronouncements issued after the applicable date.

**LOUISIANA COMMUNITY AND  
 TECHNICAL COLLEGE SYSTEM  
 STATE OF LOUISIANA**  
 Notes to the Financial Statements (Continued)

**D. BUDGET PRACTICES**

The appropriation made for the General Fund of the Louisiana Community and Technical College System is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; (4) certain capital leases are not recorded; (5) inventories are recorded as expenditures at the time of purchase; and (6) carry forward of prior-year funds is recognized as revenue in the current year.

The budget amounts for fiscal year 2001-2002 include the original approved budget and subsequent amendments approved as follows:

	Board of Supervisors of Community and Technical College	Baton Rouge Community College	Bossier Parish Community College
Original approved budget	\$26,594,938	\$10,007,833	\$14,901,354
Increases:			
State General Fund (Direct)	222,608	763,492	163,981
Interagency transfers	5,000,000		
Fees and self-generated		1,350,000	
Statutory dedications		253,213	409,980
Federal funds	2,710,421		
Reallocation of board expenses	(222,608)		
<b>Total budgeted amounts</b>	<b>\$34,305,359</b>	<b>\$12,374,538</b>	<b>\$15,475,315</b>

The other funds of the system are not required to submit budgets for approval through the legislative budget process.

Delgado Community College	Elaine P. Nunez Community College	River Parishes Community College	South Louisiana Community College	Louisiana Delta Community College	Louisiana Technical College
\$43,621,159	\$6,225,356	\$2,577,756	\$3,226,057	\$750,000	\$130,273,825
1,111,475	93,856	20,000	420,000	1,170,000	625,274
1,919,100	194,244	20,977	400,000 30,794		112,500 2,688,567
	22,385	5,460	5,460	5,460	1,410,000 183,843
<u>\$46,651,734</u>	<u>\$6,535,841</u>	<u>\$2,624,193</u>	<u>\$4,082,311</u>	<u>\$1,925,460</u>	<u>\$135,294,009</u>

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**E. CASH AND CASH EQUIVALENTS  
AND INVESTMENTS**

Cash includes cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the system may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the system may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with Louisiana Revised Statute (R. S.) 49:327, the system is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. Investments are maintained in investment accounts in external foundations as authorized by policies and procedures established by the Board of Regents and are reported at fair value in accordance with GASB Statement 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. For purposes of the Statement of Cash Flows, the system considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**F. INVENTORIES**

Inventories are valued at the lower of cost or market. The system uses various methods to value its inventories. Adjustments are made at fiscal year-end to account for inventories using the consumption method.

**G. NONCURRENT CASH AND INVESTMENTS**

Cash that is externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets is reported as noncurrent cash. Noncurrent investments consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity.

**H. CAPITAL ASSETS**

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property (equipment), the system's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life

**LOUISIANA COMMUNITY AND  
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Notes to the Financial Statements (Continued)

greater than one year. Buildings and improvements and depreciable land improvements costing \$100,000 or more are capitalized and infrastructure costing \$3,000,000 or more is required to be capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Computer software purchased for internal use with depreciable costs of \$1,000,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for depreciable land improvements, and 3 to 10 years for most movable property (equipment, including capitalized costs for computer software).

**I. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**J. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, an employee will be paid for any time and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**K. NONCURRENT LIABILITIES**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

**L. NET ASSETS**

The system's net assets are classified as follows:

- (1) Invested in capital assets, net of related debt consist of the system's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net assets - nonexpendable consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- (3) Restricted net assets - expendable consist of resources that the system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (4) Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the system and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the system's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

**M. CLASSIFICATION OF REVENUES**

The system has classified its revenues as either operating or nonoperating according to the following criteria:

**LOUISIANA COMMUNITY AND  
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STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

- (1) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts.
- (2) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

**N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by the system and the amount that is paid by students and/or third parties making payments on the students' behalf.

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2002, the system has cash and cash equivalents (book balances) of \$22,851,792 as follows:

Petty cash	\$40,627
Demand deposits	13,195,007
Certificates of deposit	535,189
Federal Home Loan Bank (FHLB) Discount Note	4,203,771
Cash with state treasurer	<u>4,877,198</u>
Total	<u>\$22,851,792</u>

These cash and cash equivalents are reported as follows on the Statement of Net Assets:

Current assets	\$22,583,626
Noncurrent assets	<u>268,166</u>
Total	<u>\$22,851,792</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the system or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

June 30, 2002, the system has \$23,086,257 in deposits (collected bank balances) that are secured from risk in the following manner:

	Cash	Certificates of Deposit	Other	Total
Bank balances (collected balances):				
Insured or collateralized with securities held by the entity or its agent in the entity's name - GASB Category 1	\$12,701,482	\$325,189	\$4,203,771	\$17,230,442
Collateralized with securities held by the pledging institution's trust department or agent in the entity's name - GASB Category 2	<u>5,645,815</u>	<u>210,000</u>		<u>5,855,815</u>
Total bank balances	<u>\$18,347,297</u>	<u>\$535,189</u>	<u>\$4,203,771</u>	<u>\$23,086,257</u>

Included in cash and cash equivalents is cash available to the system within the state treasury totaling \$4,877,198. Securities pledged for cash in the state treasury are not included in the previously mentioned computations as these amounts are secured by fiscal agent banks established by the state treasury independent of the system.

**3. INVESTMENTS**

At June 30, 2002, the system has investments totaling \$2,354,864. A summary of the system's investments follows:

	Reported Amount	Fair Value
Investments not categorized:		
Investments held by private foundation	\$256,265	\$256,265
Mutual funds	<u>2,098,599</u>	<u>2,098,599</u>
Total investments	<u>\$2,354,864</u>	<u>\$2,354,864</u>

These investments are reported on the Statement of Net Assets as noncurrent assets - investments. Investments held by private foundations are managed in accordance with the terms outlined in management agreements executed between the system colleges and their respective foundations. The system's colleges are voluntary participants. These investments, totaling \$256,265, were not categorized.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**4. RECEIVABLES**

Receivables are shown on Statement A net of an allowance for doubtful accounts at June 30, 2002. These receivables are composed of the following:

	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	\$7,013,369	(\$838,912)	\$6,174,457
Auxiliary enterprise	246,849	(228)	246,621
State and private grants and contracts	4,295,094		4,295,094
Due from federal government	13,390,035		13,390,035
Due from state treasury	1,042,889		1,042,889
Other	750,689	(500)	750,189
Total	<u>\$26,738,925</u>	<u>(\$839,640)</u>	<u>\$25,899,285</u>

There is no noncurrent portion of accounts receivable.

**5. NOTES RECEIVABLE**

Notes receivable are comprised of loans to students under the Federal Perkins Loan and miscellaneous private student loan programs. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans.

Notes receivable are shown on Statement A net of an allowance for doubtful accounts at June 30, 2002. These receivables are composed of the following:

Type	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)	Noncurrent Portion
Federal Perkins loans	\$63,846	(\$50,500)	\$13,346	\$13,346
Miscellaneous private student loans	3,400		\$3,400	3,400
Total	<u>\$67,246</u>	<u>(\$50,500)</u>	<u>\$16,746</u>	<u>\$16,746</u>

**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal years ended June 30, 2002, follows:

**LOUISIANA COMMUNITY AND  
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STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

	Balance July 1, 2001	Prior Period Adjustment	Adjusted Balance July 1, 2001
Capital assets not being depreciated:			
Land	\$10,995,694	\$1,389,808	\$12,385,502
Construction in progress	7,500,061	(5,874,433)	1,625,628
Total capital assets not being depreciated	<u>18,495,755</u>	<u>(4,484,625)</u>	<u>14,011,130</u>
Capital assets, being depreciated:			
Land improvements	4,337,280	(2,397,090)	1,940,190
Buildings	143,916,591	(19,098,429)	124,818,162
Furniture, fixtures, and equipment	105,950,614	(68,316,534)	37,634,080
Library books	10,341,042	(10,341,042)	
Total capital assets, being depreciated	<u>264,545,527</u>	<u>(100,153,095)</u>	<u>164,392,432</u>
Less accumulated depreciation for:			
Land improvements		(1,109,247)	(1,109,247)
Buildings		(58,909,117)	(58,909,117)
Furniture, fixtures, and equipment		(25,734,136)	(25,734,136)
Total accumulated depreciation	NONE	<u>(85,752,500)</u>	<u>(85,752,500)</u>
Total capital assets, being depreciated, net	<u>264,545,527</u>	<u>(185,905,595)</u>	<u>78,639,932</u>
Capital assets, net	<u>\$283,041,282</u>	<u>(\$190,390,220)</u>	<u>\$92,651,062</u>

The Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP), revised its capitalization policy to include only those assets with an original acquisition cost of \$5,000 or more for depreciable equipment and \$100,000 or more for buildings and depreciable land improvements. In addition, under OSRAP's revised policy, library collections with a total acquisition cost of less than \$5 million are not capitalized and depreciated. GASB Statement No. 34 requires the recognition of depreciation on fixed assets, resulting in the recognition of accumulated depreciation for prior years. The June 30, 2001, balance of capital assets has been adjusted by (\$98,160,472) for the change in capitalization policy on equipment, buildings, and land improvements and by (\$10,341,042) to reflect the change in capitalization policy on library books. The June 30, 2001, balance of capital assets has also been adjusted by (\$85,752,500) to recognize accumulated depreciation and by \$3,863,794 for a correction of prior year errors. Because the system does not have any infrastructure that exceeds the \$3,000,000 threshold for capitalization, no infrastructure has been capitalized.

<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance July 1, 2002</u>
			\$12,385,502
<u>\$4,572,381</u>	<u>(\$475,852)</u>	<u>(\$337,506)</u>	<u>5,384,651</u>
<u>4,572,381</u>	<u>(475,852)</u>	<u>(337,506)</u>	<u>17,770,153</u>
			1,940,190
519,485	475,852		125,813,499
5,516,835	182,340	(2,703,544)	40,629,711
<u>6,036,320</u>	<u>658,192</u>	<u>(2,703,544)</u>	<u>168,383,400</u>
(90,819)			(1,200,066)
(3,155,021)			(62,064,138)
<u>(4,013,810)</u>	<u>(36,475)</u>	<u>971,060</u>	<u>(28,813,361)</u>
<u>(7,259,650)</u>	<u>(36,475)</u>	<u>971,060</u>	<u>(92,077,565)</u>
<u>(1,223,330)</u>	<u>621,717</u>	<u>(1,732,484)</u>	<u>76,305,835</u>
<u>\$3,349,051</u>	<u>\$145,865</u>	<u>(\$2,069,990)</u>	<u>\$94,075,988</u>

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

In accordance with R.S. 39:321-332, except for the Baton Rouge Community College, Delgado Community College and South Louisiana Community College, the Louisiana Community and Technical College System has complied with the Louisiana movable property statutes.

**7. PENSION PLANS**

*Plan Description.* Substantially all employees of the system are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRS after five years of service and with LASERS after ten years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information for the retirement systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

*Funding Policy.* The contribution requirements of plan members and the system are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRS and 13% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to the system, funds the system's employer contribution. The system's employer contributions to TRS for the years ended June 30, 2002, 2001, and 2000, were \$8,657,227, \$8,723,631, and \$9,806,343, respectively, and to LASERS for the years ended June 30, 2002, 2001, and 2000, were \$2,390,120, \$2,191,599, and \$2,049,041, respectively, equal to the required contributions for each year.

**8. OPTIONAL RETIREMENT SYSTEM**

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid colleges in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the system are 13.1% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by the actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer and employee contributions to the optional retirement plan totaled \$1,991,836 and \$1,245,423, respectively, for the year ended June 30, 2002.

**9. POSTEMPLOYMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The system provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the system's employees become eligible for these benefits if they reach normal retirement age while working for the system. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the system. The system recognizes the cost of providing these benefits to retirees (system's portion of premiums) as an expense when paid during the year. These retiree benefits for 824 retirees totaled \$3,840,464 for the year ended June 30, 2002.

**10. PAYABLES**

The following is a summary of payables and accrued expenses at June 30, 2002:

<u>Account Name</u>	
Vendor payables	\$14,524,502
Accrued salaries and payroll deductions	4,606,847
Other	<u>124,260</u>
Total payables	<u>\$19,255,609</u>

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**11. DEFERRED REVENUES**

The following is a summary of deferred revenues at June 30, 2002:

Prepaid tuition and fees	\$6,797,839
Other	<u>3,919</u>
Total deferred revenues	<u><u>\$6,801,758</u></u>

**12. COMPENSATED ABSENCES**

At June 30, 2002, employees of the system have accumulated and vested annual, sick, and compensatory leave of \$7,565,364, \$6,182,702, and \$69,747, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

**13. LEASE OBLIGATIONS**

**Operating Leases**

For the year ended June 30, 2002, the total rental expense for all operating leases is \$3,571,282. The following is a schedule by years of future minimum annual rental payments required under operating leases:

Nature of Operating Lease	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 - FY 2012	FY 2013 - FY 2017	Total Minimum Payments Required
Office space	\$2,677,380	\$877,473	\$205,845	\$11,722	\$2,482	\$2,482		\$3,777,384
Other	<u>152,580</u>	<u>148,580</u>	<u>148,580</u>	<u>143,000</u>	<u>127,300</u>	<u>128,000</u>	<u>\$48,000</u>	<u>896,040</u>
Total	<u><u>\$2,829,960</u></u>	<u><u>\$1,026,053</u></u>	<u><u>\$354,425</u></u>	<u><u>\$154,722</u></u>	<u><u>\$129,782</u></u>	<u><u>\$130,482</u></u>	<u><u>\$48,000</u></u>	<u><u>\$4,673,424</u></u>

**Capital Leases**

The system records items under capital leases as assets and obligations in the accompanying financial statements. The following is a schedule of future minimum lease payments under these capital leases, together with the present value of minimum lease payments at June 30, 2002:

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

<u>Fiscal Year Ending June 30:</u>	
2003	\$317,670
2004	312,435
2005	313,720
2006	310,158
2007	311,398
2008-2012	1,562,013
2013-2017	1,550,931
2018-2022	1,544,900
2023-2027	1,536,600
2028-2030	917,400
Total minimum lease payments	<u>8,677,225</u>
Less - amount representing interest	<u>(4,429,690)</u>
Present value of net minimum lease payments	<u><u>\$4,247,535</u></u>

**Lessor - Operating Lease**

Baton Rouge Community College's leasing operation consists of the leasing of property for the purposes of providing bookstore operations to students, and Delgado Community College leases office space to General Motors Corporation under an operating lease agreement.

The estimated cost, accumulated depreciation, and carrying amount of the system's investment in property on operating leases as of June 30, 2002, is \$191,732, \$13,743, and \$177,989, respectively. This includes estimated values, which are based on the ratio of the square footage of the space leased to the total square footage of the building.

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2002:

<u>Nature of Operating Lease</u>			<u>Minimum Future Rentals</u>
	<u>2003</u>	<u>2004</u>	
Office space	<u>\$54,820</u>	<u>\$2,083</u>	<u>\$56,903</u>

Minimum future rentals do not include contingent rentals that may be received as stipulated in the lease contracts. Contingent rentals received by Baton Rouge Community College from operating leases for the year ended June 30, 2002, were \$101,775.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**14. LONG-TERM LIABILITIES**

The following is a summary of bonds and other long-term debt transactions of the system for the year ended June 30, 2002:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amounts Due Within One Year
Bonds, notes, and capital leases payable:					
Bonds payable	\$317,000		(\$41,000)	\$276,000	\$31,000
Notes payable	128,265		(128,265)		
Capital lease obligations	4,310,000	\$4,143	(66,608)	4,247,535	72,200
Subtotal	<u>4,755,265</u>	<u>4,143</u>	<u>(235,873)</u>	<u>4,523,535</u>	<u>103,200</u>
Other liabilities -					
accrued compensated absences payable	12,285,282	5,947,711	(4,415,180)	13,817,813	2,215,027
Total	<u>\$17,040,547</u>	<u>\$5,951,854</u>	<u>(\$4,651,053)</u>	<u>\$18,341,348</u>	<u>\$2,318,227</u>

Details of all debt outstanding at June 30, 2002, follows:

**Bonds Payable**

As presented on Statement A, at June 30, 2002, bonds payable total \$276,000 of which \$31,000 is current and the remaining \$245,000 is noncurrent.

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2002, including interest of \$38,400, follow:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2001</u>
<b>Delgado Community College</b>			
Educational Facility Bonds:			
Series 1970-A	January 15, 1970	\$521,000	\$176,000
Series 1970-B	January 15, 1970	391,000	130,000
Series 1972-A	April 1, 1972	<u>150,000</u>	<u>11,000</u>
Total		<u>\$1,062,000</u>	<u>\$317,000</u>

Issued (Redeemed)	Outstanding June 30, 2002	Maturities	Interest Rates	Interest Outstanding June 30, 2002
(\$17,000)	\$159,000	2000-2010	3.0%	\$22,200
(13,000)	117,000	2000-2010	3.0%	16,200
(11,000)		2000-2002	6.125-6.5%	
<u>(\$41,000)</u>	<u>\$276,000</u>			<u>\$38,400</u>

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2002, including interest of \$38,400, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$31,000	\$8,280	\$39,280
2004	32,000	7,350	39,350
2005	33,000	6,390	39,390
2006	35,000	5,400	40,400
2007	35,000	4,350	39,350
2008-2010	<u>110,000</u>	<u>6,630</u>	<u>116,630</u>
Total	<u>\$276,000</u>	<u>\$38,400</u>	<u>\$314,400</u>

The bond agreement of the educational facilities bonds requires that a Reserve Fund be established in an amount equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds. At June 30, 2002, the required reserve totals \$40,400, which has been met by Delgado Community College.

**Capital Lease Obligations**

Capital lease obligations at June 20, 2002, in the amount of \$4,247,535 are detailed in note 13.

**Accrued Compensated Absences Payable**

Accrued compensated absences payable at June 30, 2002, in the amount of \$13,817,813 are detailed in note 12.

**15. RESTRICTED NET ASSETS**

The system has the following restricted net assets at June 30, 2002:

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Nonexpendable:	
Endowments	\$478,516
Endowed professorships and scholarships	<u>1,822,015</u>
Total nonexpendable	<u><u>\$2,300,531</u></u>
Expendable:	
Grants and contacts	\$147,470
Student fees	2,053,408
Endowed professorships and scholarships	338,095
Debt service	44,540
Preventive maintenance and plant funds	303,973
Student Government Association	14,351
Other	<u>132,466</u>
Total expendable	<u><u>\$3,034,303</u></u>

**16. RESTATEMENT OF BEGINNING FUND  
BALANCES TO BEGINNING NET ASSETS**

The beginning net assets as reflected on Statement B has been restated to reflect the state's change in its asset capitalization policy, the implementation of GASB Statement Nos. 34 and 35 and the reporting of the system as a business-type activity, and correction of errors in the prior report. In previous years, the system reported in accordance with the American Institute of Certified Public Accountants College Guide model. The effect of this change in accounting principle is as follows:

Fund balances at June 30, 2001	\$295,713,237
Capital assets below the new capitalization threshold due to change in accounting policy	(108,501,513)
Adjustments for accumulated depreciation due to GASB 35	(85,752,500)
Adjustments for deferred charges and deferred credits for summer school accounts due to GASB 35	881,866
Other reclassifications and adjustments for prior year errors	<u>2,730,956</u>
Net assets at July 1, 2001	<u><u>\$105,072,046</u></u>

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**17. CONTINGENT LIABILITIES AND  
RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. The system is involved in ten lawsuits at June 30, 2002, that are being handled by contract attorneys. In the opinion of legal counsel, the possibility that the system will incur a liability is remote.

**18. FOUNDATIONS**

The accompanying financial statements do not include the accounts of the following foundations:

Baton Rouge Community College Foundation, Incorporated  
Bossier Parish Community College Foundation  
Delgado Community College Foundation  
Nunez Community College Foundation  
River Parishes Community College Foundation, Incorporated  
Louisiana Technical College:  
    Northeast Louisiana Technical Institute Foundation, Limited  
    Tallulah Foundation  
    Sowela Technical Institute Foundation, Limited  
    Sullivan Vocational Foundation, Incorporated

These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

Certain colleges of the system have contracted with their respective foundations to invest the colleges' Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. At June 30, 2002, the foundations hold in custody \$256,265 of state Endowed Professorship Program funds. Amounts invested by private foundations for the system are included as investments not categorized in the disclosures in note 3.

**19. DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the college to authorize for expenditure 75% of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

At June 30, 2002, net appreciation of \$5,886 is available to be spent, of which \$5,886 is restricted to specific purposes.

Funds are invested and spent according to the guidelines established by the Board of Regents, provided that the maximum spending shall not exceed 5% of the market value of program assets averaged for the previous five-year period and no more than 60% of the funds can be invested in equities.

**20. ON-BEHALF PAYMENTS FOR SALARIES  
AND FRINGE BENEFITS**

On-behalf payments for salaries and fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends.

The amount of on-behalf payments for salaries and fringe benefits included in the accompanying financial statements for the fiscal year ended June 30, 2002, is \$4,885.

**21. DEFERRED COMPENSATION PLAN**

Certain employees of the system participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**22. RELATED PARTY TRANSACTIONS**

Delgado Community College entered into a capital lease transaction with the Delgado Community College Foundation to finance the building of the City Park Campus Student Life Center. The term of the lease is 30 years with interest payments, commencing April 1, 2000. The interest is paid semiannually and principal payments are made annually, commencing October 1, 2000. The system records this capital lease as an asset and an obligation in the accompanying financial statements. Details of the capital lease are disclosed in note 13.

**23. ALTERNATIVE FINANCING AGREEMENTS**

**Bossier Parish Community College (BPCC)**

On December 13, 2001, the Louisiana State Bond Commission approved the issuance of up to \$45,000,000 in bonds for the purpose of constructing a new BPCC campus. On April 18, 2002, the Louisiana Government Facilities and Community Development Authority issued \$44,521,551 in revenue bonds on behalf of Campus Facilities, Inc., a nonprofit organization.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Pursuant to the terms of a Ground Lease agreement, the corporation will lease the land from the Board of Supervisors of the Louisiana Community and Technical College System. The new facility will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation on behalf of the board will develop and construct the new building and lease back the facilities to the board for use by students, faculty, and staff of the community college.

Future monies appropriated to the Louisiana Community and Technical College System will be used to fund the annual lease payments.

**South Louisiana Community College (SLCC)**

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$20,000,000 in bonds for the purpose of constructing a new SLCC campus. On October 29, 2002, the Lafayette Public Trust Financing Authority issued \$17,840,000 in revenue bonds on behalf of the South Louisiana Community College Facilities, Inc., a nonprofit organization.

Pursuant to terms of a Ground Lease agreement, the corporation will lease the land from the Board of Supervisors of the Louisiana Community and Technical College System. The new facility will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation on behalf of the board will develop and construct the new building and lease back the facilities to the board for use by students, faculty, and staff of the community college.

Future monies appropriated to the Louisiana Community and Technical College System will be used to fund the annual lease payments.

**Baton Rouge Community College (BRCC)**

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$65,000,000 in bonds for the purpose of constructing and furnishing new campus buildings and for renovating existing buildings on property adjacent to the BRCC campus. The Louisiana Government Environmental Facilities and Community Development Authority plans to issue revenue bonds on behalf of the Baton Rouge Community College Facilities, Inc., a nonprofit organization, by December 2002.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

Pursuant to the terms of a Ground Lease agreement, the corporation will lease the land and buildings from the Board of Supervisors of the Louisiana Community and Technical College System. The new facilities will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (facilities lease). In accordance with the facilities lease, the corporation on behalf of the board will develop, renovate, and construct the existing facilities and new buildings and lease back the facilities to the board for use by students, faculty, and staff of the college and the Louisiana Community and Technical College System for administrative offices.

Future monies appropriated to the Louisiana Community and Technical College System will be used to fund the annual lease payments.

**24. SUBSEQUENT EVENTS**

Effective July 1, 2002, the system implemented a new accounting system, PeopleSoft.

On June 12, 2002, Dr. Myrtle Dorsey was appointed chancellor of Baton Rouge Community College effective September 9, 2002. She replaced Dr. Leana Revell who was appointed interim chancellor when Walter G. Bumphus was appointed interim president of the Louisiana Community and Technical College System on August 8, 2001.

On August 14, 2002, Dr. Jan Campbell Bropst was appointed chancellor of South Louisiana Community College effective September 15, 2002. She replaced Dr. Doris Chretien who was appointed interim chancellor when previous Chancellor Ned Doffoney resigned effective July 1, 2002.

On September 11, 2002, Dr. Jimmy Clarke from the Board of Regents was appointed as acting chancellor of the Louisiana Technical College to serve in this capacity while the existing Louisiana Technical College chancellor was on administrative leave.

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Year Ended June 30, 2002**

**SCHEDULE OF PER DIEM PAID BOARD MEMBERS**

Supplementary information Schedule 1 presents the per diem paid board members for the year ended June 30, 2002. Louisiana Revised Statute 17:3206 provides that appointed members of the *Board of Directors* shall be entitled to \$50 per meeting. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

LOUISIANA COMMUNITY AND  
 TECHNICAL COLLEGE SYSTEM  
 STATE OF LOUISIANA  
 BOARD OF SUPERVISORS OF COMMUNITY  
 AND TECHNICAL COLLEGES

Schedule of Per Diem Paid Board Members  
 For the Year Ended June 30, 2002

	<u>NUMBER</u>	<u>AMOUNT</u>
Alexander, Charles	11	\$550
Barham, Erle	14	700
Barnes, Leonard	11	550
Chigbu, Gibson	9	450
Christopher, Dianne	16	800
Delaney, John	11	550
Guidry, Ava	6	300
Johnson, Kathy	65	3,250
Knapp, Ann	17	850
McCotter, J. Kevin	20	1,000
Mellington, Brett	10	500
Morris, Tonya	15	750
Risher, Gregory	6	300
Sinz, Priscilla	10	500
Stone, F. Mike	10	500
Trist, Nicholas	10	500
		<u>500</u>
Total		<u><u>\$12,050</u></u>

**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain our report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
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December 20, 2002

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Basic Financial Statements  
Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Louisiana Community and Technical College System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Holidays Taken in Excess of Legally Allowed Amount**

The Louisiana Technical College (LTC), an institution of higher education under the authority of the Louisiana Community and Technical College System (LCTCS), permits its employees to take more paid holidays than are allowed by law. Louisiana Revised Statute (R.S.) 1:55 authorizes each institution of higher education to designate a maximum of fourteen paid holidays per calendar year.

The technical colleges came under the control of the LCTCS board in 1999, but are following the policies of their former governing board, the Board of Elementary and Secondary Education (BESE), until superceding policies are enacted by the LCTCS Board of Supervisors. Under the BESE policy LAC 28:I 1525(A), the employees of the Baton Rouge campus of the LTC receive thirteen paid holidays and nine paid "office closed" days. This is eight more paid holidays than allowed by R.S. 1:55. LTC management stated that all technical colleges follow calendars that are similar to the Baton Rouge campus.

## LEGISLATIVE AUDITOR

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**  
Compliance and Internal Control Report  
December 20, 2002  
Page 2

Allowing employees to take paid holidays in excess of those allowed by law is a violation of R.S. 1:55 and Article VII, Section XIV of the Louisiana Constitution, which prohibits the donation of state funds to any person, association, or corporation.

The LCTCS Board of Supervisors should design and implement policies and procedures to ensure that all institutions under its control comply with all applicable laws and regulations, including R.S. 1:55. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-5).

### **Failure to Deposit Funds Into the State Treasury**

For the second consecutive year, four of the seven community colleges in the LCTCS are not depositing their self-generated revenues into the State Treasury, as required by the Louisiana Constitution and Revised Statutes. Article VII, Section 9(A) of the Louisiana Constitution and R.S. 49:308 require that all monies received by any state board, agency, or commission be deposited immediately upon receipt in the State Treasury. Section (E)(2)(d) of this statute exempts the management boards of other colleges and universities from the requirement to deposit into the State Treasury by placing them outside the definition of state board, agency, or commission. However, the LCTCS Board of Supervisors is not included in the list of exempt management boards.

Before being placed under the management of the LCTCS Board of Supervisors, most of the community colleges were managed by exempt post-secondary education management boards. When the community colleges came under the management of the LCTCS Board of Supervisors, they lost this exemption. However, the community colleges did not change their collection and deposit procedures accordingly.

Article VII Section 9(B) requires that all monies deposited in the State Treasury shall first be credited to the Bond Security and Redemption Fund to ensure that obligations of the state associated with bonded debt are met before any other use of state monies is considered. Failure to deposit state monies into the State Treasury means that these monies are not available for this purpose, as required by the Louisiana Constitution.

The LCTCS Board of Supervisors should instruct the community colleges to change their revenue collection and deposit procedures to ensure that all monies required by statute are deposited into the State Treasury. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 6-9).

## LEGISLATIVE AUDITOR

### LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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#### **Failure to Use State Purchasing as Central Purchasing Agency**

The LCTCS and its community colleges do not use the State Purchasing Office as their central purchasing agency as required by the Louisiana Revised Statutes. R.S. 39:1564 designates the *director of state purchasing as the central procurement officer of the state* and as such, gives the director of state purchasing authority to procure or supervise the procurement of all supplies, services, and major repairs needed by the state. R.S. 39:1572 exempts the management boards of most colleges and universities from the requirement to use the State Purchasing Office as their central procurement agency. However, the LCTCS Board of Supervisors is not included in the list of exempt management boards.

Before being placed under the management of the LCTCS Board of Supervisors, the community colleges were managed by exempt post-secondary education management boards. When the community colleges came under the management of the LCTCS Board of Supervisors, they lost this exemption. However, the community colleges did not change their procurement procedures accordingly. Management of the LCTCS central office did not realize that the exemption enjoyed by the former management board of the community colleges did not extend to LCTCS. Failure to use the State Purchasing Office as their central purchasing agency places LCTCS and its community colleges in violation of the Louisiana Revised Statutes.

The LCTCS Board of Supervisors should change its procurement procedures to ensure that the LCTCS central office and the community colleges all use the State Purchasing Office as their central purchasing agency, as required by the Louisiana Revised Statutes. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 10).

#### **Baton Rouge Community College - Stipends Improperly Paid to Employees**

The Baton Rouge Community College improperly paid stipends, totaling \$22,500, to employees in addition to their regular salaries. The Louisiana Constitution, Article VII, Section 14(A) prohibits the college from loaning, pledging, or donating funds or things of value to any person. The retroactive payment of a stipend for services previously performed may constitute a bonus and violation of the provisions of Article VII, Section 14(A).

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### LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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During the year ended June 30, 2002, the college paid stipends to employees for work previously performed as follows:

- In January 2002, the college approved and paid the Dean of Information Technology \$4,000 as a special recognition award for additional work performed between July 2001 and December 2001. The additional duties were related to institutional research, external reporting, and ongoing responsibilities in facilities services and for coordinating the relocation of the college's servers and computer operations over the holiday break in December 2001.
- In January 2002, the college paid the network manager \$1,500 and seven other information technology employees \$1,000 each for work performed during the holiday break to relocate the college's computer operations. Even though the stipends were approved in advance, the employees' time sheets, which certify the actual hours worked, did not include any additional hours for which the stipends were to be paid.
- In December 2001, the college approved and paid the Vice Chancellor of Administration \$5,000 for acting as a consultant on capital projects to several LCTCS chancellors. The college indicated that these consultations began during the fall of 2001. This payment was subsequently reimbursed by the LCTCS.
- In December 2001, the college approved and paid the Executive Assistant to the Chancellor \$5,000 for work relating to a report on LCTCS policies, the LCTCS Leadership Development Institute, the system strategic plan, and other system projects. The college indicated that this work was performed between August 8, 2001, and December 2001. This payment was subsequently reimbursed by the LCTCS.

Management of the college believed that the retroactive payment of stipends for additional work performed was proper, even if approved after the work had already been performed. The retroactive payment of stipends to employees in addition to their agreed-upon salary increases the risk of inappropriate or excessive payments and subjects the college to violation of the Louisiana Constitution. The college should ensure that employees are not retroactively paid stipends or bonuses for services that had previously been performed and compensated. The college should also ensure that employees receiving additional compensation certify the related additional hours worked on their time sheets. Management did not concur with this finding. Management

## LEGISLATIVE AUDITOR

### LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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provided an opinion from its legal counsel that contends the payments are for additional work and duties (see Appendix A, pages 11-16).

**Additional Comments:** In the written opinion of the college's legal counsel, he provides information to support the fact that the network manager and seven other information technology employees were paid for additional services. However, our comments relating to these employees did not take exception to this point. Our comments related to the need for contemporaneous records whereby the employees certify to the additional hours worked. Our comments also addressed stipend payments to the Vice Chancellor of Administration and to the Executive Assistant to the Chancellor; however, the response from the college's legal counsel does not address the payments to these employees. As for the payment to the Dean of Information Technology, the college's legal counsel states in his letter that the dean was being compensated for additional duties assigned to her. However, the method used to compensate the dean is subjective as to the amount of the stipend and was approved retroactively. Extra compensation should be based on actual additional hours worked or through a pre-approved temporary or permanent pay raise for additional duties that an individual is performing or anticipates performing.

#### **South Louisiana Community College - Inappropriate Reinstatement of Sick and Annual Leave for Unclassified Employees**

South Louisiana Community College reinstated unused sick and annual leave to two employees hired in fiscal years 2000 and 2001 when the employees had been out of state service for over five years. Article VII, Section 14 of the 1974 Louisiana Constitution provides that except as otherwise provided by the constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. With no legal obligation to do so, the community college reinstated 5,296 hours of unused leave to these employees, comprised of 723 hours of annual leave and 4,573 hours of sick leave. In addition, the community college gave the employees credit for prior service, allowing each employee to earn 7.38 hours of annual and 7.38 hours of sick leave every two weeks. A new employee with no prior service would have earned only 3.69 hours of annual and 3.69 hours of sick leave every two weeks.

The value of the reinstated annual leave is \$18,643 and reinstated sick leave is \$143,153, calculated at the employees' hourly pay rates of \$23.15 and \$34.98. Executive Order MJF 98-23, Unclassified State Employee Leave, allows leave to be reinstated if an unclassified employee is re-employed in state service within five years of his/her separation from state service. State Civil Service rules have the same guidelines

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### LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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for classified employees. Although the executive order allows an exception to the rules and policies for a system authorized by law to manage and supervise its own system, this order as well as state Civil Service rules could be considered a general guideline governing reinstatement rights of all state employees. The community college has no formal policy of its own and the leave policy issued by the LCTCS does not address this issue. Reinstating this leave results in the undue enrichment of the two employees since the community college has no legal obligation to reinstate the leave or give the employees credit for prior service. Consequently, the community college may have violated the provisions of Article VII, Section 14 of the Louisiana Constitution.

South Louisiana Community College should develop and implement formal written policies and procedures for unclassified employees addressing their reinstatement rights and the community college's obligations. This policy should address the time period during which an employee will receive credit for any leave balances that were not paid at the time of his/her separation from prior service. This policy should be designed in such a manner that it will comply with state laws and regulations and should be approved by the LCTCS. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 17).

#### **Baton Rouge Community College - Thefts Not Properly Reported**

The Baton Rouge Community College did not notify the legislative auditor and the parish district attorney of misappropriations of cash and property. R.S. 24:523 requires the chancellor of the college who has actual knowledge of any misappropriation of the public funds or assets to immediately notify, in writing, the legislative auditor and the appropriate parish district attorney.

During the year ended June 30, 2002, the college became aware of the following misappropriations of cash and property but did not notify the legislative auditor or the parish district attorney:

- Computer equipment could not be located and was considered stolen. On March 27, 2002, the college discovered that two new laptop computers with total acquisition costs of \$2,752 could not be located. These computers were received in January 2002, and placed in a storage closet in the college library. In addition, four new desktop computers with total acquisition costs of \$3,760 could not be located. These computers were received in December 2001 and identified as missing during the college's annual property inventory in April 2002. The college determined that these computers were stolen and filed a police report on both thefts.

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- On November 12, 2001, cash estimated at between \$300 and \$500 was taken from a collection jar for the United Way located in the college library. The college did not file a police report.
- The college could not locate 44 movable property items with total acquisition costs of \$87,163, while performing the annual movable property inventory. These items were considered stolen and the college submitted a Non-Forced Entry Theft Report to the Louisiana Property Assistance Agency (LPAA) on May 23, 2002, and filed a police report. The two computers discovered stolen on March 27, 2002, were included in the report submitted to the LPAA.
- In early June 2002, library reference books were taken from the college library by members of the college's custodial staff and subsequently sold to an off-campus bookstore. The college's chancellor allowed three custodial employees who admitted to taking the books and selling them to the off-campus bookstore to resign. The college did not pursue criminal charges or file a police report.

The college was unaware of the requirement to notify the legislative auditor and the parish district attorney, in writing, once it has actual knowledge of any misappropriation. Failure to notify the legislative auditor and parish district attorney of any misappropriation increases the likelihood that actions to recover the misappropriated funds or assets will not be taken and that responsible persons will not be identified and reported to law enforcement authorities.

The college should notify the legislative auditor and the parish district attorney, in writing, as soon as it becomes aware of any misappropriation. In addition, the college should actively pursue criminal charges when possible and file a police report on all misappropriations. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 18).

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana Community and Technical College System's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters described on the following pages involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the

## LEGISLATIVE AUDITOR

### LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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internal control over financial reporting that, in our judgment, could adversely affect the Louisiana Community and Technical College System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### **Inaccurate Annual Fiscal Report**

For the second consecutive year, the Louisiana Community and Technical College System (LCTCS) did not submit an accurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) by the prescribed due date. Louisiana Revised Statute (R.S.) 39:79 authorizes the commissioner of administration to establish the format of each agency's AFR and requires a signed affidavit that the financial statements present fairly the financial position of the agency. In addition, good internal control requires adequate supervision and review to ensure that financial statements are accurately prepared and timely submitted.

The largest contributing factor to the inaccurate and untimely AFR for LCTCS was the inaccurate and untimely submission of the AFR for the Louisiana Technical College (LTC) to the Board Office. Although the LTC AFR was due to the Board Office on August 15, 2002, the instructions for the 42 technical college campuses were not disseminated by the LTC central office to the campuses until August 8, 2002. Because of the change in reporting under GASB Statement Nos. 34/35, which caused problems with the completion of the AFR for several institutions, the System President gave the institutions under LCTCS a one-week extension on the AFR until August 22, 2002. This extension would give the Board Office a little over three weeks to compile the system AFR, which was due to OSRAP September 16, 2002. The final LTC AFR was not submitted to the system office until September 28 and the system AFR was submitted to OSRAP on September 30, 2002. In addition to the LTC AFR being submitted untimely, it had many errors that required audit adjustments as follows:

- A total of \$4,723,705 in equipment purchases for the fiscal year ended June 30, 2002, was incorrectly included as an adjustment to beginning net assets.
- A total of \$3,764,045 in equipment deletions of items under the capitalization threshold for the fiscal year ended June 30, 2002, was incorrectly excluded from adjustments to beginning net assets and also incorrectly included in other additions, net, as a loss on disposal of capital assets.

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- A total of \$7,745,220 was incorrectly included as restricted net assets.
- The sick leave accrual for compensated absences was understated by \$688,657.
- Scholarship allowances for auxiliary services (bookstore) for \$55,522 *were not properly reported.*
- Although a consultant was paid to prepare the cash flow statement for the LTC, inaccurate information was given to the preparers causing the cash flow statement to be incorrect. Many audit adjustments were necessary.
- A total of \$20,419,309 was incorrectly reported in the footnotes as government mandated non-exchange transactions.
- A total of \$3,598,518 of depreciation for the fiscal year ended June 30, 2002, was incorrectly included as an adjustment to beginning capital assets in the footnotes to the financial statements.
- A total of \$2,688,567 in revenues from the Support Education in Louisiana First Fund was incorrectly reported as other operating revenues and should have been reported in non-operating revenues as state appropriations.
- *Reductions to compensated absences for footnote presentation were not calculated in accordance with the instructions from OSRAP, causing an understatement of additions and deletions to compensated absences of \$1,511,358.*
- A total of \$1,104,707 in fiscal year purchase order rentals was incorrectly recorded as future minimum lease payments in the footnotes.
- A total of \$77,293 in operating lease expenditures was excluded from the footnote in error.

These errors in the LTC AFR resulted from the untimely distribution of instructions to campuses, which caused a rush in preparing the LTC AFR, combined with inaccurate preparation and planning for the reporting changes that would result from implementing GASB Statement Nos. 34/35.

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Failure to submit an accurate and timely AFR to the Board Office caused the LCTCS AFR to be *untimely and inaccurate*. Failure to submit an accurate and timely system AFR to OSRAP could delay the compilation and issuance of the state's Comprehensive Annual Financial Report (CAFR) and could result in a misstatement of the state's CAFR.

LCTCS should develop and implement policies and procedures to ensure the timely submission of an accurate AFR to OSRAP. Management should consider invoking sanctions on those institutions that do not meet established system deadlines to ensure adequate accountability for submitting accurate and timely financial statements. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 19-20).

#### **Lack of Controls Over Movable Property**

The LCTCS did not ensure that all community colleges under its authority maintained adequate internal control over movable property as prescribed by the commissioner of administration and Louisiana law. Good internal control requires that movable property records be periodically reconciled to the accounting records to ensure proper recording and reporting of assets; that adequate procedures be in place to ensure that movable property is safeguarded against loss or theft; and that security access to movable property data be promptly removed when an individual terminates employment. In addition, the Louisiana Administrative Code (LAC) 34:VII: 307-311 requires, in part, that (1) all qualified movable property be tagged and all pertinent inventory information be reported to the Louisiana Property Assistance Agency (LPAA) within 60 days of receipt of property; and (2) the location of movable property items be tracked and kept current.

The audit of movable property records throughout the system noted the following weaknesses in controls over movable property:

1. For the second consecutive year, Baton Rouge Community College did not maintain adequate internal control over movable property. The following deficiencies were noted:
  - Of a sample of 70 movable property items acquired during the year, 16 (23%) were not reported to LPAA within 60 days of receipt. These items were reported to LPAA between 80 and 190 days after receipt by the college.

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- On May 24, 2002, the college reported to LPAA that 49 movable property items totaling \$95,563 or 3% of the college's reportable movable property could not be located. These items consisted of 7 microscopes, 2 fax machines, a television and stand, and 38 items of computer equipment. These items were acquired between May 1997 and December 2001.
  - During the year ended June 30, 2002, there were two thefts of computer equipment with total acquisition costs of \$9,104. Included in these thefts were two laptop computers whose acquisition costs exceeded \$1,000 each. These two computers were included in the amount reported to LPAA as unlocated property on May 24, 2002.
  - The LPAA movable property system user identification (ID) of a former Director of Accounting has not been deactivated. At June 30, 2002, the former employee who resigned in March 2001 still had an active system user ID.
2. For the second consecutive year, South Louisiana Community College did not maintain adequate internal control over movable property. Various tests of movable property disclosed the following weaknesses:
- Thirteen (16%) of 81 current year acquisitions totaling \$23,475 were reported to LPAA from 72 to 156 days after receipt of the property.
  - In a test to locate 25 movable property items, the following errors were noted:
    - Two (8%) items had incorrect serial numbers recorded in LPAA records.
    - Five (20%) items were not at the location indicated in LPAA records.
    - Sixteen (64%) items were tracked by department location codes. This tracking method is inefficient and requires searching multiple offices to locate each piece of property. The method also inhibits the community college from identifying missing property in a timely manner.
  - No monthly reconciliation of LPAA reports to the community college's accounting records was performed.

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### LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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- . Three individuals still had active user ID codes that allowed access to the LPAA system even though they terminated employment in fiscal years 2000 and 2001. In addition, two current employees informed us that they shared the user ID and password of one of the terminated employees to enter movable property transactions into the LPAA system.
3. For the second consecutive year, Delgado Community College did not reconcile movable property acquisitions recorded in its general ledger to the LPAA records.

*Management of the LCTCS should take the necessary measures to ensure that all institutions under their control maintain adequate internal control over movable property to comply with state movable property regulations as prescribed by the commissioner of administration and Louisiana law. Management of the individual institutions responded to the findings. Those responses are included in Appendix A, pages 21-23.*

#### **Delgado Community College - No Formal Disaster Recovery Plan**

The Delgado Community College has not formally implemented and tested a disaster recovery/contingency plan, including provisions for an offsite disaster recovery facility, to provide for the timely restoration of critical entity operations in the event that normal data processing facilities are unavailable for an extended period of time. A formal comprehensive disaster recovery/contingency plan should exist that would allow for the continuation of critical entity operations should normal data processing facilities be unavailable for an extended time. Provisions of the plan should be tested periodically, and updated when necessary, to ensure a timely and orderly return to regular operations.

The college's current policies and procedures do not address a comprehensive disaster recovery/contingency plan, including provisions for an offsite disaster recovery facility. Failure to develop and test a comprehensive disaster recovery plan increases the risk that in the event of a disaster, there will be an untimely or excessive delay in processing *critical data and that critical data may be lost.*

The college should commit adequate resources to developing a comprehensive disaster recovery/contingency plan that would provide for the timely resumption of critical entity operations following a disaster. Management should focus on locating a backup site that will allow the college to reestablish its critical operations within an acceptable time frame should a disaster occur. After establishing the plan, the college should test the plan periodically, and update it as necessary, to ensure that it continues to meet the

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### LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM STATE OF LOUISIANA

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college's needs. Management of the college concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 24).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described previously, we consider the finding on the inaccurate annual fiscal report to be a material weakness.

#### Other Reports

Separate reports or management letters containing compliance and internal control findings were issued relating to the following community colleges and technical college campuses. Management's responses are also included in those reports. Copies of those reports are available for public inspection at the Baton Rouge, New Orleans, and Shreveport offices of the Legislative Auditor, and those reports can also be found on the Internet at [www.lla.state.la.us/f&c.shtml](http://www.lla.state.la.us/f&c.shtml).

#### Date

September 19, 2002  
December 4, 2002  
September 13, 2002  
November 21, 2002  
December 18, 2002

#### Community College

Baton Rouge Community College  
Delgado Community College  
River Parishes Community College  
South Louisiana Community College  
Louisiana Delta Community College

#### Date

June 5, 2002  
June 12, 2002  
June 26, 2002  
June 26, 2002

#### Louisiana Technical College

Bastrop Campus  
Sowela Campus  
Tallulah Campus  
West Jefferson Campus

**LEGISLATIVE AUDITOR**

**LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
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This report is intended solely for the information and use of the Louisiana Community and Technical College System and its management 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with the first name "Grover" and last name "Austin" clearly distinguishable.

Grover C. Austin, CPA  
First Assistant Legislative Auditor

BQD:MB:PEP:ss

[LCTCS02]

## Appendix A

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



**LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM**

822 Neosho Avenue  
Baton Rouge, Louisiana 70802-4219  
Telephone: 225/219-8700  
Facsimile: 225/219-8710

December 10, 2002

**Officers**

Ann H. Knapp  
*Chair*

Kathy Sellers Johnson  
*First Vice Chair*

Brett Mellington  
*Second Vice Chair*

**Members**

- Charles Alexander
- E. Edwards Barham
- Leonard C. Barnes
- Gibson C. Chigbu
- Dianne M. Christopher
- John E. DeLaney
- Ava Dejoie Guidry
- J. Kevin McCotter
- Sean Reilly
- F. Mike Stone
- Nicholas P. Trist, Jr.
- Elizabeth Gallegos,  
*Student Member*
- Gregory Hamilton,  
*Student Member*



**Walter G. Bumphus Ph.D.**  
*System President*

Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Re: Holidays Taken In Excess of Legally Allowed Amount

Dear Dr. Kyle:

Management of the Board of Supervisors of the Louisiana Community and Technical College System (LCTCS) concurs with the finding and recommendations related to Holidays Taken In Excess of Legally Allowed Amount by the Louisiana Technical College. In response to this finding I have attached a letter from Dr. Jimmy Clarke, Acting Chancellor of the Louisiana Technical College.

The individual responsible for corrective action is Ms. Lorraine Murry, Human Resources Director for the Louisiana Technical College. Please let me know if you have any questions or need additional information regarding our response.

Sincerely,

Jan Jackson  
Senior Vice President for Finance and Administration

cc: Dr. Walter G. Bumphus  
Mr. Allen Brown  
Dr. Jimmy Clarke



# LOUISIANA TECHNICAL COLLEGE

Office of the Chancellor

150 Third Street – Suite 200  
Baton Rouge, Louisiana 70801  
Telephone: 225/219-9532  
Facsimile: 225/219-9497

**James S. Clarke, Ph.D.**  
**Acting Chancellor**

December 9, 2002

**CAMPUSES:**

- Acadian Campus
- Alexandria Campus
- Ascension Campus
- Avoyelles Campus
- Bastrop Campus
- Baton Rouge Campus
- Charles B. Coreil Campus
- Delta Ouachita Campus
- Evangeline Campus
- Florida Parishes Campus
- Folkes Campus
- Gulf Area Campus
- Hammond Area Campus
- Huey P. Long Campus
- Jefferson Campus
- Jumonville Memorial Campus
- L. E. Fletcher Campus
- Lafayette Campus
- Lafourche Campus
- Lamar Salter Campus
- Mansfield Campus
- Morgan Smith Campus
- Natchitoches Campus
- North Central Campus
- Northeast LA Campus
- Northwest LA Campus
- Oakdale Campus
- River Parishes Campus
- Ruston Campus
- Sabine Valley Campus
- Shelby M. Jackson Campus
- Shreveport Bossier Campus
- Sidney N. Collier Campus
- Stidell Campus
- Sowela Campus
- Sullivan Campus
- T. H. Harris Campus
- Talulah Campus
- Teche Area Campus
- West Jefferson Campus
- Westside Campus
- Young Memorial Campus

Ms. Jan Jackson  
Senior Vice President for Finance and Administration  
Louisiana Community & Technical College System  
822 Neosho Avenue  
Baton Rouge, LA 70802-4219

**Re: Holidays Taken In Excess of Legally Allowed Amount**

Dear Ms. Jackson:

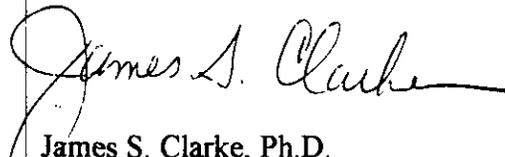
I am in receipt of the letter from the Office of the Legislative Auditor dated November 26, 2002, regarding the above referenced audit finding.

The Louisiana Technical College concurs with the audit finding. Steps were taken by management to limit holidays to be in compliance with the law. This action was taken by memorandum issued by Chancellor Roden on May 29, 2002, entitled "LTC System Leave Record Establishment and Regulations". (See attachment).

The proposed policy change for consideration at the December 11, 2002 Board Meeting concerning "Holidays for All Employees" should resolve any outstanding issues relative to this matter.

Ms. Lorraine Murry, Human Resource Director, has been delegated the responsibility to ensure that the designated holiday policy will be followed.

Sincerely,

  
James S. Clarke, Ph.D.  
Acting Chancellor

JSC/mew

C: Dr. Walter G. Bumphus  
Ms. Lorraine Murry

**An Equal Opportunity  
College**



# LOUISIANA TECHNICAL COLLEGE

## Office of the Chancellor

822 Neosho Avenue  
Baton Rouge, Louisiana 70802-4219  
Telephone: 225/219-8773  
Facsimile: 225/219-9497

**William J. Roden, J. D.**  
**Chancellor**

### CAMPUSES:

Acadian Campus  
Alexandria Campus  
Ascension Campus  
Avoyelles Campus  
Bastrop Campus  
Baton Rouge Campus  
Charles B. Coreil Campus  
Delta Ouachita Campus  
Evangeline Campus  
Florida Parishes Campus  
Folkes Campus  
Gulf Area Campus  
Hammond Area Campus  
Huey P. Long Campus  
Jefferson Campus  
Jumonville Memorial  
Campus  
L. E. Fletcher Campus  
Lafayette Campus  
Lafourche Campus  
Lamar Salter Campus  
Mansfield Campus  
Morgan Smith Campus  
Natchitoches Campus  
North Central Campus  
Northeast LA Campus  
Northwest LA Campus  
Oakdale Campus  
River Parishes Campus  
Ruston Campus  
Sabine Valley Campus  
Shelby M. Jackson  
Campus  
Shreveport Bossier  
Campus  
Sidney N. Collier Campus  
Slidell Campus  
Sowela Campus  
Sullivan Campus  
T. H. Harris Campus  
Tallulah Campus  
Teche Area Campus  
West Jefferson Campus  
Westside Campus  
Young Memorial Campus

TO: Assistant Chancellors

FROM: William J. Roden, J.D.  
Chancellor

DATE: May 29, 2002

RE: Louisiana Community and Technical College System  
Leave Record Establishment and Regulations for All Unclassified,  
Non-Civil Service Employees

In accordance with this policy, Faculty Leave is granted to faculty members employed on the 9-month (academic year) basis in lieu of annual leave and is comprised of the days between terms and at holiday periods when students are not in classes. This special form of leave shall be taken as it is earned.

### Item D. Faculty Leave for Employees on Nine (9) Month (Academic Year) Basis:

1. Faculty leave shall be earned by each eligible (full-time) faculty who is employed for the academic year and has a regular tour of duty.
2. Faculty leave shall be earned and taken as it is earned as specified by the official calendar of the institution served.

Annual Leave is leave with pay granted to unclassified Administrative/Support/Instructional/Professional Staff (10 or 12-month) employees for the purpose of rehabilitation, restoration, maintenance of work efficiency, or attention to other personal concerns.

According to R.S. 1:55 – Days of public rest, legal holidays, and half-holidays

- F. “Each institution of higher education in the state, through a representative appointed by it, shall designate a maximum of fourteen legal holidays per calendar year to be observed by all of its employees.”

Therefore, LTC employees who are not eligible for faculty leave must either work on school closure days that are not declared holidays or apply for annual leave in advance with supervisor approval.

Attachment: Leave Record Establishment and Regulations for All Unclassified, Non-Civil Service Employees



**LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM**

822 Neosho Avenue  
Baton Rouge, Louisiana 70802-4219  
Telephone: 225/219-8700  
Facsimile: 225/219-8710

**H.2.**

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- Sean Reilly
- F. Mike Stone
- Nicholas P. Trist, Jr.
- Elizabeth Gallegos,  
*Student Member*
- Gregory Hamilton,  
*Student Member*



**Walter G. Bumphus Ph.D.**  
*System President*

**To:** Dr. Walter G. Bumphus

**Through:** Jan Jackson

**From:** Lura Kamya *Lura Kamuya*

**Date:** November 26, 2002

**Subject:** Approval of System Policy:  
Holidays for All Employees

**FOR BOARD APPROVAL**

**Recommendation:** Staff recommends that the Board approve the attached system policy on Holidays for All Employees.

**Background:** The purpose of the system policy on holidays for all employees is to set forth the Louisiana Community & Technical College System's holiday policy for those employees affected, provide clarification of policy regarding holiday periods and to outline the system policy regarding observance of religious holidays not included in the holiday schedule.

The policy adopts provision of R.S. 1:55 which states: "Each institution of higher education in the state, through a representative appointed by it, shall designate a maximum of fourteen (14) legal holidays per calendar year to be observed by all of its employees."

The system President and each Chancellor will establish a Holiday Schedule for the institution. The policy clarifies that any other state holiday that may be declared by the Governor or named in the Civil Service rules will not be observed by the LCTCS except as provided in this policy.

*Walter G. Bumphus*

---

Approved for Recommendation to the Board  
Dr. Walter G. Bumphus

*12-03-02*

---

Date

# **LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM POLICY ON HOLIDAYS FOR ALL EMPLOYEES**

## **PURPOSE**

To set forth the Louisiana Community & Technical College System's holiday policy for those employees affected, provide clarification of policy regarding work during holiday periods and to outline the LCTCS policy regarding observance of religious holidays not included in the LCTCS holiday schedule.

## **HOLIDAY POLICY**

LCTCS adopts the provision of R.S. 1:55 which states: "Each institution of higher education in the state, through a representative appointed by it, shall designate a maximum of fourteen (14) legal holidays per calendar year to be observed by all of its employees." Accordingly, the System President and each Chancellor shall determine which 14 paid holidays will be established and each publish a Holiday Schedule outlining the 14 paid holidays for the calendar year. Any other state holiday that may be declared by the Governor or named in the Civil Service rules will not be observed by the LCTCS except as provided in this policy.

For employees on shift assignments or at work during holiday periods, the department head may adjust work schedules or holiday time to provide necessary services. It is intended that the same number of holidays be granted all eligible employees. If a holiday falls on an employee's day off, it will be necessary to provide a "designated holiday" on another day. Applicable Civil Service rules will be followed for compensating classified employees who are required to work on holidays.

## **OBSERVANCE OF RELIGIOUS HOLIDAYS**

As a matter of policy and commitment, LCTCS does not discriminate against any person on the basis of religion. Faculty and staff unable to work on a religious holiday not included on the published Holiday Schedule because of his or her religious beliefs are to provide that information to their supervisor or department head/chair well in advance. Annual leave, leave without pay or adjusted work schedules will be approved unless doing so creates an unusual burden upon the employing unit. Additionally, faculty are to excuse any student who is unable, because of his or her religious beliefs, to attend or participate in class work requirements or examinations on religious holidays that fall on scheduled class days provided that a makeup examination of work will not create an unreasonable burden upon the institution. It is the responsibility of the student concerned to anticipate such conflicts well in advance, to provide that information to their instructor, and to make up the work missed according to a schedule agreed upon with the faculty responsible for the class.



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August 2, 2002

**Officers**

Ann H. Knapp  
*Chair*

Kathy Sellers Johnson  
*First Vice Chair*

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**Members**

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- E. Edwards Barham
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- Ava Dejoie Guidry
- J. Kevin McCotter
- Sean Reilly
- F. Mike Stone
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- Elizabeth Gallegos,  
*Student Member*
- Gregory Hamilton,  
*Student Member*

◆◆◆◆

**Walter G. Bumphus Ph.D.**  
*System President*

Dr. Daniel Kyle, CPA, CFE  
Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Management of the Louisiana Community and Technical College System (LCTCS) concurs with the finding related to **Funds Not Deposited Into The State Treasury.**

Management of the LCTCS is aware that Article VII Section 9(A) of the Louisiana Constitution and Revised Statute 49:308 requires that all monies received by any state board, agency or commission be deposited immediately upon receipt in the State Treasury, and that Section (E) 2)(d) of this statute exempts management boards of other colleges and universities from the requirement to deposit into the State Treasury. However, because of an oversight in founding legislation, the LCTCS Board of Supervisors is not included in the list of exempt management boards, thereby causing the colleges moving to LCTCS from other Boards to lose this exemption.

To remedy this omission in the legislation, the Board of Supervisors unanimously adopted the attached resolution on February 14, 2002, which urged the Governor of the State of Louisiana to include in the official "Call" for the First Extraordinary Session of the 2001 Louisiana Legislature, an item amending and reenacting La.R.S. 49:308 to include specific exemptions for the monies received by the Board of Supervisors of the Community and Technical College System from depositing into the State Treasury as it applies to the other Higher Education Management Boards. Letters of notification transmitting this resolution to the Governor's Office are also attached. Unfortunately, this request was not placed on the "Call" for the special session of the Legislature; therefore the legislation was not amended.

Management intends to continue efforts for support in the 2003 Regular Session of the Legislature, or sooner, to amend and reenact the appropriate legislation to allow exemptions for the Board of Supervisors of the Community and Technical College System as they apply to other Higher Education Management Boards.

The contact person responsible for corrective action is Jan Jackson.

Sincerely,

Jan Jackson  
Vice President for Finance and Administration

cc: Dr. Walter G. Bumphus



# LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

822 Neosho Avenue  
Baton Rouge, Louisiana 70802-4219  
Telephone: 225/219-8700  
Facsimile: 225/219-8710

COPY

January 30, 2002

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Chairman

Charles J. Alexander  
First Vice Chair

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Sean Reilly  
F. Mike Stone  
Nicholas P. Trist, Jr.

## Student Members

Tanya Morris  
Louisiana Technical College  
Baton Rouge Campus

Priscilla Sinz  
Bossier Parish Community  
College



Walter G. Bumphus, Ph.D.  
System President

Steven Perry  
State Capitol 4th Floor  
PO Box 94004  
Baton Rouge, LA 70804-9004

Dear Mr. Perry

I wanted to give you advance notice by forwarding the attached memo and resolution that I will be proposing to the LCTCS Board of Supervisors for consideration at the February 14<sup>th</sup> Board of Supervisors meeting. I'm not sure that you are aware that last year LCTCS staff discovered an inadvertent omission in La.R.S. 49:308D(2)(d) related to depositing funds in the state treasury, but because of the lateness of the discovery, they were unsuccessful in attempts to introduce amended legislation.

The Legislative Auditor issued a finding in his LCTCS system report released January 9, 2002 related to depositing funds in the state treasury and non compliance with the current version of the statute. Five of our six community colleges are not depositing self-generated revenues into the state treasury, a privilege they were afforded under the other constitutional higher education management boards before reporting to the LCTCS Board of Supervisors. A change in this current practice would present a fiscal hardship for these colleges and equally critical is that our system will continue to be out of compliance without amended legislation.

We have had preliminary conversations with Senator Theunissen and he said he would assist in this cause if called upon. I would appreciate any help or advice you can provide to us in insuring that appropriate steps are taken to amend and reenact the statute.

Sincerely,

Walter G. Bumphus, President

attachments

**RESOLUTION**

**WHEREAS**, the Louisiana Community and Technical College System ("the LCTCS") was created as a constitutional, public higher education system by Act No. 170 of the 1998 First Extraordinary Session of the Louisiana Legislature, transferring management and control of the State's public vocational-technical education programs from the Board of Elementary and Secondary Education and the State's public community college programs from the Boards of Supervisors of the University of Louisiana System, the Louisiana State University System, and the Southern University System to the LCTCS, and

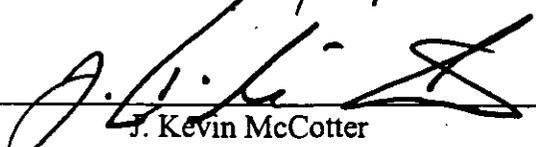
**WHEREAS**, the adoption of Act No. 170 by the voters of the State empowered the LCTCS with the identical rights and privileges as other constitutional public higher education systems, and through Act No. 151 of the same 1998 First Extraordinary Session of the Louisiana Legislature, the Legislature sought to amend all state statutes relating to public higher education systems to reflect the mutually corresponding status, authority, and powers of the LCTCS and the other constitutional public higher education systems, and

**WHEREAS**, the intent of La.R.S. 49:308D(2)(d) is to insure the fiscal stability of the State's constitutional public higher education systems by specifically exempting monies received by the Boards of Supervisors of the public higher education systems from the requirement of deposit in the state treasury, and

**WHEREAS**, the inadvertent omission of La.R.S. 49:308D(2)(d) from the statutory amendments of Act No.151 of the 1998 First Extraordinary Session of the Louisiana Legislature unfairly compromises the LCTCS' fiscal stability among the various constitutional public higher education systems.

**BE IT RESOLVED**, that the members of the Board of Supervisors of the Louisiana Community and Technical College System, unanimously, urge and request Governor, Murphy J. Foster to include within the official "Call" for the First Extraordinary Session of the Louisiana Legislature an item amending and reenacting La.R.S. 49:308D(2)(d), related to State Funds and the deposit of said funds in the state treasury, to include the monies received by the Board of Supervisors of the Community and Technical College System among the specific exemptions related to higher education institutions.

Adopted On: (Date) 2/14/02

  
\_\_\_\_\_  
J. Kevin McCotter

Chairman, Board of Supervisors of the Louisiana  
Community and Technical College System





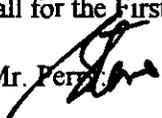
**LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM**

822 Neosho Avenue  
Baton Rouge, Louisiana 70802-4219  
Telephone: 225/219-8700  
Facsimile: 225/219-8710

February 20, 2002

Steven Perry  
State Capitol 4th Floor  
PO Box 94004  
Baton Rouge, LA 70804-9004

Re: Resolution Requesting that the Governor Include Amended Legislation in His  
Call for the First Extraordinary Session

Dear Mr. Perry 

This is a follow-up to my letter of January 30, in which I advised you of my intent to present a recommendation and resolution to the LCTCS Board of Supervisors on February 14<sup>th</sup> regarding approval of a resolution requesting that Governor Foster include legislation amending and reenacting La. R.S. 49:308D(2)(d) in his Call. The proposed amendment and reenactment relates to State Funds and the deposit of funds in the state treasury, to include the monies received by the Board of Supervisors of the LCTCS among the specific exemptions related to higher education institutions. As unanimously approved by the Board of Supervisors at the February 14<sup>th</sup> meeting, I have enclosed a copy of the recommendation and a certified copy of the resolution signed by the Chairman of the Board of Supervisors, J. Kevin McCotter.

As I mentioned in my letter of January 30, the Legislative Auditor issued a finding in his LCTCS system report issued January 9, 2002 related to depositing funds in the state treasury and non compliance with the current version of the statute. Five of our six community colleges are not depositing self-generated revenues into the state treasury, a privilege they were afforded under the other constitutional higher education management boards before reporting to the LCTCS Board of Supervisors. A change in this current practice would present a fiscal hardship for these colleges and we continue to be out of compliance without amended legislation.

We have had preliminary conversations with Senator Theunissen and he said he would assist in this cause if called upon. I would appreciate any help or advice you can provide to us in insuring that appropriate steps are taken to amend and reenact the statute.

Sincerely,

Walter G. Bumphus, President

attachments

Officers

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Nicholas P. Trist, Jr.

Student Members

Tanya Morris  
Louisiana Technical College  
Baton Rouge Campus

Priscilla Sinz  
Bossier Parish Community  
College



Walter G. Bumphus, Ph.D.  
System President



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August 2, 2002

**Officers**

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Kathy Sellers Johnson  
*First Vice Chair*

Brett Mellington  
*Second Vice Chair*

Dr. Daniel Kyle, CPA, CFE  
Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Management of the Louisiana Community and Technical College System (LCTCS) concurs with the finding related to **Failure to Use State Purchasing as Central Purchasing Agency**.

**Members**

Charles Alexander  
E. Edwards Barham  
Leonard C. Barnes  
Gibson C. Chigbu  
Dianne M. Christopher  
John E. DeLaney  
Ava Dejoie Guidry  
J. Kevin McCotter  
Sean Reilly  
F. Mike Stone  
Nicholas P. Trist, Jr.  
Elizabeth Gallegos,  
*Student Member*  
Gregory Hamilton,  
*Student Member*

Management of the LCTCS is aware that Louisiana Revised Statute 39:1564 gives the director of state purchasing authority to procure or supervise the procurement of all supplies, services, and major repairs needed by the state and that R.S. 39:1572 exempts other higher education management boards from the requirement to use the state purchasing office as their central procurement agency. However, because of an oversight in founding legislation, the LCTCS Board of Supervisors is not included in the list of exempt management boards.

Management has begun to take the proper steps necessary to advance introduction of legislation in the 2003 regular session or sooner, to amend and reenact R.S.39:1572 to include the LCTCS Board of Supervisors with the exemptions of other higher education management boards from the requirement to use the state purchasing office as their central procurement agency.

The contact person responsible for corrective action is Jan Jackson.

◆◆◆◆

Sincerely,

Jan Jackson  
Vice President for Finance and Administration

Walter G. Bumphus Ph.D.  
*System President*

cc: Dr. Walter G. Bumphus



Office of the Chancellor

September 11, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College does not concur with the finding and recommendations related to the finding ""Stipends Improperly Paid to Employees".

Based upon the response of legal counsel (attached), it is the opinion of the management of Baton Rouge Community College that compensations paid to staff for additional work and duties were appropriate.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Myrtle Dorsey", is written over a circular stamp or seal.

Dr. Myrtle Dorsey  
Chancellor

C: Ms. Jan Jackson, LCTCS  
Mr. Allen Brown, Director of Internal Auditor

# BREAZEALE, SACHSE & WILSON, L.L.P.

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PAUL M. HENRY, JR.  
W. R. MARSHALL, JR.  
ALAN F. REYNOLDS, JR.  
ALBERT J. FOSTER, III  
DAVID R. CANNON  
RICHARD T. HENNING  
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RICHARD D. LEIBERFETZ  
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JERRY W. BARTON, JR.  
JUNE C. BURNHAM  
SPECIAL COUNSEL  
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L. LINCOLN MORGAN

JEREMY E. FREEMAN  
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FAX (504) 727-7255

II. PETER BREAZEALE (1896-1978)  
VICTOR A. SACHSE, JR. (1903-1977)  
MAURICE J. WILSON (1919-1981)  
HARRISON P. BREAZEALE, JR. (1928-1979)

RALPH T. RICHMAN  
SCOTT N. HENNING  
MELISSA M. SHERIDAN  
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YVONNE I. RICE  
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MICHAEL P. FURST  
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WYNN B. LARLEY  
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LAUREN S. CARMON  
BRUNY P. FRYSTON  
ROBERTA J. HENNING  
CARRIE A. EVANS

MEMBER OF THE BAR OF THE STATE OF LOUISIANA  
MEMBER OF THE BAR OF THE STATE OF MISSISSIPPI  
MEMBER OF THE BAR OF THE STATE OF ALABAMA  
MEMBER OF THE BAR OF THE STATE OF MISSOURI  
MEMBER OF THE BAR OF THE STATE OF ARIZONA  
MEMBER OF THE BAR OF THE STATE OF CALIFORNIA  
MEMBER OF THE BAR OF THE STATE OF TEXAS  
MEMBER OF THE BAR OF THE STATE OF NEW YORK  
MEMBER OF THE BAR OF THE STATE OF ILLINOIS  
MEMBER OF THE BAR OF THE STATE OF INDIANA  
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MEMBER OF THE BAR OF THE STATE OF WISCONSIN  
MEMBER OF THE BAR OF THE STATE OF MINNESOTA  
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MEMBER OF THE BAR OF THE STATE OF NEBRASKA  
MEMBER OF THE BAR OF THE STATE OF KANSAS  
MEMBER OF THE BAR OF THE STATE OF OKLAHOMA  
MEMBER OF THE BAR OF THE STATE OF ARKANSAS

September 10, 2002

Dr. Daniel G. Kyle  
OFFICE OF THE LEGISLATIVE AUDITOR  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: Audit Response Concerning Baton Rouge Community College:  
Backpay for Performance of Additional Work  
Agency Number 612  
BS&W File No.: 56/8982/30724

Dear Dr. Kyle:

The following explanation and accompanying documentation is submitted in response to your inquiry regarding the validity of authorization for the payment of a "stipend" to certain employees of Baton Rouge Community College ("BRCC").

Initially, the immediate problem appears to be semantic, i.e., BRCC's designation of compensation for the additional services, over and above required duties, as "a stipend". The term suggests an invalid, gratuitous payment to these employees. That is not the case. The facts, as will appear below, clearly show that a situation existed at BRCC which required the administration of BRCC to ask the exempt, professional employees of BRCC's Division of Technology to perform additional duties during a holiday period, between December 21, 2001 and December 31, 2001; that the duties to be performed were outside of the regular duties of those employees; that a responsible BRCC administrator certified to the actual performance of the work by the designated employees; and that the decision to provide financial compensation, as opposed to compensatory time, was reasonably intended to provide a cost saving to the State and to adequately compensate the employees for the value of the services performed.

**Determination of Needed Assistance by Information Technology Staff:**

The BRCC Division of Information Technology provides instructional support for the College. Generally, this means that the staff of that unit insures the reliability of the computer hardware and software for continued classroom instruction. As evidenced by the Memorandum, of December 19, 2001, from Mable J. Moore, BRCC's Dean of Informational Technology, to Dr. Leana Revell, BRCC's Interim Chancellor, the administration of BRCC decided to move its data center to the state police complex to address problems identified in operational support for the Division of Information Technology. (Exhibit No. 1). The problems identified included, security concerns, air conditioning problems, and availability of space.

Prior to the commencement of the move, Moore explained, within the Memorandum, that the services needed to accomplish this task were outside of the job scope of the Information Technology staff. The task included equipment relocation, relocation, reconnection, and equipment testing prior to first week in January, 2002. Further, Moore explains that the only time which the task could be performed without causing serious problems to the College was during the Christmas holiday recess. The memo further establishes that the urgency of the situation and the inability to get a commitment for holiday service from a contractor compelled the use of her staff to complete the task. A projected time table was submitted, estimating that the job could be accomplished within "five-six (12-hour days)".

**Decision to Award Financial Compensation:**

Attached is a memorandum, dated December 19, 2001, from Moore to Dr. Walter Bumphus, System President, Dr. Leana Revell, Interim Chancellor, BRCC, and Dr. Brent Knight, Vice-Chancellor Administration, showing that Dr. Bumphus and Dr. Revell indicated to Moore in their December budget and planning meeting that they would like to provide financial compensation to the Information and Technology staff for the additional services to be performed during the additional duties to be performed during the Christmas holidays. (Exhibit No. 2).

Dr. Bumphus and Dr. Revell will certify that their decision to provide financial consideration to the employees, as opposed to compensatory time, was based upon these considerations: (1) the exempt employees of the Information Technology Division regularly accumulated extensive compensatory time; (2) allowing the accumulation and use of compensatory time might create additional problems for coverage once the Information Technology move was completed; BRCC administration could arrive at a value for the services to be performed which would provide acceptable compensation to the exempt employees for the additional work; overtime payment to the non-exempt employees could be achieved at straight time; and the total cost of providing financial consideration to the staff would have a lessor impact on the BRCC budget than the cost of contracting-out the same services and the proposed payments would fit within the approved budget.

**Services Were, In Fact, Performed by the Employees:**

As evidenced by the documents listed as Exhibit No. 3, the BRCC Data Center was successfully moved, prior to the commencement of the Spring semester, in January 2002. Moreover, as evidenced in Exhibit No. 4, Moore has certified to the number of hours worked by each exempt employee of the BRCC Division of Information Technology.

**Moore's determination that the Services to be Performed by her Exempt Staff is Supported:**

Within Exhibit No. 1, Moore explains that the services to be performed are "not within the job scope: of her staff. As evidenced by Exhibit No. 5, the job duties of employees that she certified as having performed duties related to the move of the Data Center, generally, extend to: monitoring whether or not the information system, programs on the PC's, or the server are operating properly; determining whether or not malfunctions have occurred in the computer labs preventing continuous instruction; performing diagnostic procedures to determine whether hardware problems exist; correcting problems which occur in internally developed software; and applying manufacturer recommended corrective measures to externally developed software. None of the duties outlined within Exhibit No. 1 fall within those job duties.

**Lack of Prior Approval:**

Employees of the Louisiana Community and Technical College System were under the authority of other management boards, prior to July 1, 1999. Consequently, the employees of the various components of the System remain covered by the rules and regulations of the previous management board, until such time as the Board adopts a rule and/or regulation which addresses a particular circumstance. The administration of BRCC was unaware of any rule and/or regulation of the LCTCS which addressed the assignment of additional duties to its employees. Absent such rule, the administration assumed that PS-43, of the Policies and Procedures of the LSU System was applicable to the situation. That confusion regarding the applicable policy, rule and/or regulation caused BRCC administration to believe that approval of the LCTCS Board was not necessary prior to implementing the process of assigning the employees to additional duties and compensating them thereafter (See Exhibit No. 6).

Additionally, the belief that urgency was required to resolve the Data Center matter, prior to commencement of the Spring 2001 semester, caused BRCC administrators to act hastily. However, the administrators certify that they, at all times, acted in good faith belief that they were in compliance with applicable State law and applicable rules and regulations. As evidenced by all internal memorandum submitted for your review, including the electronic correspondence attached as Exhibit No.7, discussions were maintained among Division of Information Technology staff, BRCC administration and LCTCS administration throughout the effort to move the BRCC Data Center.

**Stipend for Dean of Information Technology:**

While the duties performed by Mable Moore, during the move of the BRCC Data Center, must be viewed as falling within the parameters of the duties outlined within Exhibit No. 8, hereof, the administrators of BRCC, assigned duties to her, for a short period of time, which were not included within the duties of Dean of Information Technology.

In accordance with notice to Chancellor Walter Bumphus from Beulah Clark, Dean of Institutional Research and Planning, in mid-July, 2001, of her intent to resign her position in August 2001, Dean Moore was asked to temporarily perform additional duties previously assigned to Dean Clark, as noted within Exhibit No. 9. Dean Moore was asked, at the same, to performed certain duties previously assigned to and performed by Dr. Brent Knight, Vice Chancellor for Finance and Administration, regarding Facilities Services. The duties were assigned for the period of July 2001 through December 2001.

Those duties included:

**For Institutional Research and Planning:**

- (1) Designing and implementing an assessment program to meet state requirements;
- (2) Developing and maintaining an appropriate data base for the College;
- (3) Developing licensure reports and other reports requiring college-wide information requested by state agencies;
- (4) Designing and implementing a HEGIS/IPEDS reporting system and supervising submission of HEGIS/IPEDS reports and other responses to requests for information from external agencies;
- (5) Responding to requests for data by the Chancellor, Deans, faculty, staff, students, and external agencies; and,
- (6) Providing professional consultation to the Chancellor, Deans, faculty, and staff in areas of research design, measurement, evaluation and statistical analysis as requested. See Exhibit No. 10).

**For Facilities Services:**

- (1) Assume the direct, day-to-day supervision of the Director of Facilities Operations; and,

- (2) Provide leadership in the selection, installation, implementation and maintenance of suitable administrative systems to properly carry out the business and administrative functions of the College. (See Exhibit No. 11).

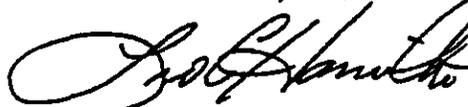
Dr. Beulah Clark provided Dr. Bumphus with official notice of her resignation, on July 31, 2001. Dean Clark requested that she be allowed sufficient time to complete assigned projects, prior to her resignation. Her resignation became effective August 1, 2001.

The administration at BRCC was convinced that the additional duties described above, coupled with the commendable effort demonstrated by Dean Moore in assisting BRCC to avert a serious problem for the College exceeded the duties of her employment position. Consequently, the decision was made to compensate her for the additional services performed during the designated period. If your office determines that the additional compensation awarded to Dean Moore does not fall within the parameters of State law, BRCC welcomes your direction in the proper method to reward an employee for exemplary performance, over and above the duties prescribed for her employment position, in what can only be described as a period of transition.

In conclusion, we believe that BRCC have clearly shown that the decision by Dean Moore and BRCC administration to assign existing staff to perform the duties incidental to moving the BRCC Data Center was fiscally sound, under the circumstances. Further, the duties performed by Dean Moore's exempt, professional staff were outside the duties regularly prescribed for the positions which the staff held. Additionally, we submit that BRCC has presented sufficient information to document the dates that the services were performed by the named staff members and the amount of time worked by each.

Very truly,

**BREAZEALE, SACHSE & WELSON, L.L.P.**



Leo C. Hamilton

LCH/jy/440948

Exhibits



## SOUTH LOUISIANA COMMUNITY COLLEGE

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October 23, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Inappropriate Reinstatement of Sick and Annual  
Leave for Unclassified Employees**

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

**RESPONSE:**

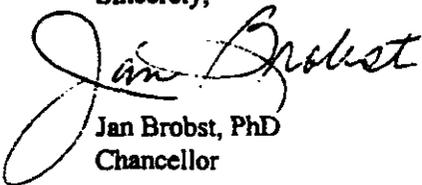
South Louisiana Community College agrees with the audit findings and recommendations. The personnel files document that SLCC requested certification of leave for the two referenced employees and verification of this leave was received by SLCC. However, there was no formal written policy outlining the employees reinstatement rights.

**CORRECTIVE ACTIONS:**

SLCC will develop, submit to LCTCS for approval and implement written policies and procedures concerning reinstatement of leave.

The person responsible for corrective action is Dr. Doris Chretien, Executive Vice Chancellor. If you have any questions regarding our response, please advise.

Sincerely,

  
Jan Brobst, PhD  
Chancellor

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*A Member of the Louisiana Community and Technical College System*

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**batonrouge**  
COMMUNITY COLLEGE

5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

August 20, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

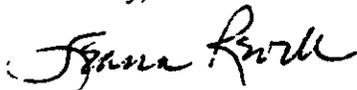
Management of Baton Rouge Community College concurs with the finding and recommendations related to the finding "Thefts Not Properly Reported."

Management of Baton Rouge Community College recognizes the importance of proper reporting of thefts. The Chancellor, Director of Security, Financial Analyst and the Coordinator of Movable Property are now aware of Revised Statute 24:523 that requires the College to report in writing, to the Legislative Auditor and the parish district attorney any misappropriations of public funds and property.

The Director of Security is responsible for reporting to the appropriate agencies. To assist the Chancellor and to insure awareness of revised and new statutes, the Dean of Finance and the Associate Vice Chancellor will identify and monitor sources that will yield information regarding the management, safeguarding and reporting of any misappropriations of public funds and property.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,



Leana Revell, Ed.D.  
Interim Chancellor

C: Ms. Jan Jackson, LCTCS  
Mr. Allen Brown, Director of Internal Auditor



# LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM

822 Neosho Avenue  
Baton Rouge, Louisiana 70802-4219  
Telephone: 225/219-8700  
Facsimile: 225/219-8710

## Officers

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F. Mike Stone  
Nicholas P. Trist, Jr.  
Elizabeth Gallegos,  
*Student Member*  
Gregory Hamilton,  
*Student Member*



Walter G. Bumphus Ph.D.  
*System President*

December 9, 2002

Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Re: Inaccurate Annual Fiscal Report

Dear Dr. Kyle:

Management of the Board of Supervisors of the Louisiana Community and Technical College System (LCTCS) concurs with the finding and recommendations related to an "Inaccurate Annual Fiscal Report."

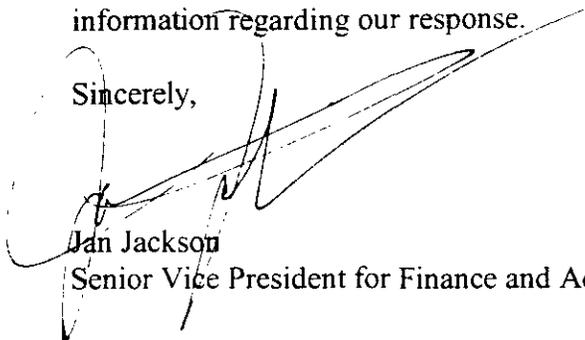
The Board of Supervisors and management of the LCTCS recognize the importance of submitting an accurate annual fiscal report. For this reason, on April 10, 2002 the Board adopted a policy requiring that each LCTCS college submit final annual financial reports including required supplemental information and notes to the system office no later than August 15<sup>th</sup> of each fiscal year. As mentioned in the Legislative Auditor's discussion, even with a one-week extension granted by the System President, the system office did not receive final college information until September 28, 2002. Because of the September 16<sup>th</sup> deadline, LCTCS submitted the information to OSRAP on September 30, 2002, allowing virtually no time for review and adjustments by system financial staff.

To address the lateness and inaccurate information submitted by colleges to the system office, management of the LCTCS is taking the following actions:

- Timeliness and accuracy of the Annual Fiscal Report information is considered in evaluation of each college chancellor.
- Staff is reviewing the current policy and considering more stringent deadline procedures to be issued by the System President.
- During 2001-2002 a consultant was commissioned to provide training and GASB 34/35 restatements of prior year fiscal report information for each college. This training of colleges will be intensified in the current fiscal year.
- Staff is assessing the fiscal staffing and structure of the Louisiana Technical College and suggesting earlier training to campuses by central LTC staff.

The individual responsible for corrective action is Joe Marin, Director of Budget and Financial Affairs. Please let me know if you have any questions or need additional information regarding our response.

Sincerely,



Jan Jackson  
Senior Vice President for Finance and Administration

cc: Dr. Walter G. Bumphus  
Mr. Allen Brown



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

August 20, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Lack of Controls Over Movable Property."

Management of Baton Rouge Community College recognizes the importance of controlling the movable property of BRCC. In April 2002 BRCC hired a Financial Analyst whose primary responsibility is supervising the movable property function of the institution. This individual carried the responsibility of the Coordinator of Movable Property until late May 2002 when a second person was hired whose primary responsibility is controlling movable property. Since these two individuals were hired, a complete inventory has been conducted. All items unaccounted for have been reported to LPAA. It is management's opinion that most items "not found" may have existed since 1998. LPAA has certified Brick's inventory for 2001-02. With the new controls and personnel in place, it is felt that inventory is under good management. The Dean of Finance and the Associate Vice Chancellor will insure the adherence of the controls.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

Leana Revell, Ed.D.  
Interim Chancellor

C: Ms. Jan Jackson, LCTCS  
Mr. Allen Brown, Director of Internal Auditor



# SOUTH LOUISIANA COMMUNITY COLLEGE

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October 15, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Weaknesses in Controls over Movable Property**

Dear Dr. Kyle:

In response to the above-referenced audit finding, South Louisiana Community College (SLCC) submits the following:

**RESPONSE:**

South Louisiana Community College agrees with the audit findings and recommendations.

**CORRECTIVE ACTIONS:**

The 2000-01 audit exit conference was held in April 2002 and the final audit was issued June, 2002. SLCC immediately started an internal review based upon the 2000-01 recommendations.

On May 28, 2002 the employee responsible for maintaining the LPAA files was in an automobile accident and has not returned. Due to limited human resources, the responsibility for maintaining the LPAA files was temporarily assigned to the Business Manager until a Property Manager could be hired.

On July 1, 2002, SLCC hired an experienced Property Manager. Since that time all property functions have been centralized, reconciliations are performed monthly, new procedures have been implemented for tracking movable property and forms have been processed to update employee access to the LPAA system.

The person responsible for corrective action is Mary Morale, Vice Chancellor for Administration and Finance. If you have any questions regarding our response, please advise.

Sincerely,

Jan Brobst, PhD  
Chancellor

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*A Member of the Louisiana Community and Technical College System*

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Fax: (337) 413-8145

**OFFICE OF THE CHANCELLOR**

501 City Park Avenue  
New Orleans, Louisiana 70119-4399  
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FAX (504) 483-4088

October 9, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle,

Management of Delgado Community College concurs with the finding and recommendations related to Lack of Controls Over Movable Property. The college has addressed the issue of reporting all additions to LPAA in a timely manner and has taken steps to address the control issue. The college will take additional steps to strengthen our procedures and to ensure that they are followed.

1. The Property Control Manager now reports to the Director of Purchasing.
2. We have created new codes to record the equipment acquisitions that will be recorded with Louisiana Property Assistance Agency (items over \$1,000). A directive was sent in July of 2002 to those individuals responsible for coding, entering, and approving requisitions that the new codes are required effective July 1, 2002.
3. The Property Control Department has begun preparing a listing of the assigned tags, which includes tag number, Purchase Order number and amount, and the date the item was tagged. This listing will be placed on the shared directory, and the Controller's Office will enter actual amounts paid. The Property Control Department will then use these amounts to record the transaction with the LPAA.
4. The Controller's Office will prepare a reconciliation of the amounts recorded with the LPAA and the expenditures per the general ledger based on the above codes on at least a semi-annual basis.
5. We will send another letter to all department managers on each campus emphasizing the need to promptly notify the Property Control Department when equipment is received.

The person responsible for corrective action is A. C. Eagan, Vice-Chancellor of Business and Administrative Affairs.

Sincerely,

  
J. Terence Kelly  
Chancellor

OFFICE OF THE CHANCELLOR  
501 City Park Avenue  
New Orleans, Louisiana 70119-4399  
(504) 483-4085  
FAX (504) 483-4088

November 19, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Delgado Community College concurs with the state-wide finding and recommendations related to the Need for Implementing and Testing a Disaster Recovery Plan. The College has various plans to address several major risks to its Information Technology infrastructure and data, including off-site storage for backup of data files and for operation from a remote site in the event of a campus disaster.

The College has already taken some initial steps toward establishing and implementing a disaster recovery plan. Most recently, Delgado officials successfully administered its emergency communication plan during potentially disastrous hurricane threats. As part of the plan, the College provided storage for data file back-ups in a three-story building across campus, one which has been designated by local officials as a potential evacuation shelter due to its hurricane resistant structure.

In addition the Information Technology staff is establishing requirements to be used in soliciting vendor proposals for the off-site storage and maintenance for the College's data files. The I.T. department is also working on its own disaster recovery plan to provide for remote operation in the event of a disaster. This plan would utilize a site at Bossier Parish Community College, located near Shreveport, Louisiana, as a remote "hot site" back-up to operate the College. This facility would provide for timely restoration of critical operations in the event that normal data processing facilities were unavailable for an extended amount of time.

We recognize the need to incorporate these recent efforts and anticipated plans into a broader, more comprehensive plan. Delgado Community College has authorized Mr. Thomas Lovince, Executive Director of Information Technology, as the person responsible for corrective action related to the College's Disaster Recovery/ Contingency Plan.

Sincerely,



J. Terence Kelly  
Chancellor