

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



MANAGEMENT LETTER
ISSUED MAY 26, 2010

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

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This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$16.92. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 5841 or Report ID No. 80090091 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 22, 2010

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

As part of our audit of the Louisiana Community and Technical College System's financial statements for the year ended June 30, 2009, we considered Baton Rouge Community College's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the college's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the Baton Rouge Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the college's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of the Baton Rouge Community College is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The college's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on Baton Rouge Community College for the year ended June 30, 2008, we reported a finding on inadequate controls over financial reporting. This finding has not been resolved by management and is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2009.

Inadequate Controls Over Financial Reporting

For the second consecutive year, Baton Rouge Community College's (BRCC) internal controls over the financial reporting process did not detect errors and omissions timely. The Louisiana Community and Technical College System (LCTCS) requires its colleges,

including BRCC, to prepare and submit an Annual Fiscal Report (AFR) for inclusion in the LCTCS AFR. LCTCS provided a template and required the colleges to submit their AFRs for the fiscal year ended June 30, 2009, by August 25, 2009. Good internal controls over financial reporting include an effective compilation and review process to ensure the accuracy and completeness of information reported to LCTCS.

BRCC provided its AFR to LCTCS on August 25, 2009, but was not able to provide the supporting roll-up schedule to the auditors until September 22, 2009. During our audit procedures, we noted differences between the general ledger and the AFR and notified management so corrections could be made. The final revision of the AFR with correcting journal entries was provided to the auditors on October 19, 2009.

The following adjustments were made to BRCC's Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and notes to the financial statements because of errors and accounts not included in the AFR.

The Statement of Net Assets included the following errors:

- Cash and cash equivalents and the related note were understated by \$333,282 because of errors in payroll accruals.
- Receivables and the related note were understated by a net \$24,217 because student government receivables were omitted.
- Accounts payable and accrued liabilities and the related note were understated by a net \$701,348 because of omissions.
- Deferred revenues and the related note were understated by \$49,372 because of classification errors.
- Unrestricted net assets were overstated and restricted net assets understated by \$1,156,990 because of classification errors, which also required an adjustment to the related note.

The Statement of Revenues, Expenses, and Changes in Net Assets included the following errors:

- Operating revenues - Tuition and fees were understated by \$87,793 because of an error in recording a prior year deferral.
- Operating revenues - Federal grants and contracts were overstated by \$155,195 because of misclassification of a private grant.
- Operating revenues - State and local grants and contracts and nongovernmental grants and contracts were understated by \$89,599 and \$195,139 respectively, because of misclassification of grants.

- Operating expenses - Institutional support expenses were understated by \$572,321 for errors in recording bad debt and depreciation expense.

Some of these same errors caused related adjustments to the Statement of Cash Flows, resulting in a net adjustment of \$363,565 to net cash provided (used) by operating activities and \$30,287 to net cash provided (used) by noncapital financing sources.

Additional adjustments to the notes to the financial statements included the following:

- The carrying amount for office space, as disclosed in the lease note disclosure, was overstated by \$73,357 because of an incorrect calculation of the bookstore square footage.
- LASERS employer contributions, as disclosed in the pension note disclosure, were overstated by \$301,000.

As evidenced by errors and omissions of certain accounts detected by BRCC and the auditors, management did not accurately compile or review its AFR before submitting it to the System office. Failure to ensure accurate preparation of the AFR could result in misstatements because of error or fraud.

BRCC's management should strengthen its internal controls over the financial reporting process, to include a comprehensive review, to ensure the accuracy and completeness of information reported in the AFR before submitting it to the System office. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Additional Comments: Although BRCC concurred with the finding and recommendation, management's response indicated that it found the errors as a part of its ongoing review process. Management did find many of the errors, but we communicated differences noted between the general ledger and the AFR to BRCC staff before receiving notification that the AFR was under further review by management. Adequate controls over financial reporting should ensure a thorough review of the AFR for accuracy before submission to the System office.

Weakness Over Return of Pell Grant Program Funds

BRCC did not maintain sufficient controls over the Federal Pell Grant Program (CFDA 84.063) to ensure that refunds for students that withdrew from the college during the semester were timely returned to the U.S. Department of Education (USDOE). The Code of Federal Regulations (34 CFR 668.22) requires that a refund of any unearned grant funds be made to the grantor agency as soon as possible but no later than 45 days after the date of the institution's determination of the student's withdrawal.

Procedures performed on the Federal Pell Grant Program identified three of 10 (30%) students, for whom refunds totaling \$1,251 were not remitted to the USDOE until 49 to 113 days after the reported date of determination of the student's withdrawal for an average of 77 days. These errors occurred because of incorrect data entry. For two of the exceptions, the term withdrawal checkbox was not marked, which would have generated an automatic calculation of the refund due. For the remaining exception, the date of withdrawal was input incorrectly.

Failure to maintain sufficient controls over Pell refunds has caused BRCC to be in noncompliance with federal program requirements. Management should ensure that its policies are followed and that appropriate funds are timely remitted to the USDOE. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 2-3).

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

This letter is intended for the information and use of the college and its management, others within the college, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

AD:ETM:BQD:THC:dl

BRCC09

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



201 Community College Drive • Baton Rouge, Louisiana 70806

January 13, 2010

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

Re: Audit Response

Dear Mr. Purpera:

Management of Baton Rouge Community College concurs with the finding related to inadequate controls over financial reporting.

The management of Baton Rouge Community College (BRCC) recognizes its responsibility for timely and accurate reporting of the financial position of the college.

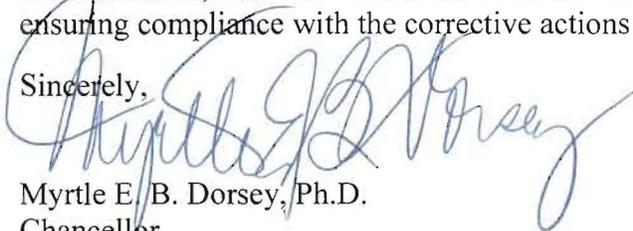
The statement errors noted on its 2009 annual financial report were discovered by BRCC staff as part of their ongoing review of the reporting process. These errors were reported to the auditors in early October.

The following actions have been taken to prevent this finding from reoccurring:

- Reconciliation procedures have been implemented to ensure that all revenue and expense is properly classified in the accounting system.
- Reconciliation of general ledger accounts has been implemented to ensure accurate recording and reporting.
- Changes have been made to the setup of the accounting system so that fund balances are accurately reported in the accounting system.
- Finally, additional reports have been developed so that staff can easily obtain the information needed for financial statement reporting.

Ms. Pam Diez, Vice Chancellor for Administration and Finance/Audits is responsible for ensuring compliance with the corrective actions listed above.

Sincerely,



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

cc: Ms. Pamela Diez, Vice Chancellor for Administration & Finance/Audits



September 14, 2009

Mr. Edward T. Martin, CPA
Audit Manager
Louisiana Legislative Auditor
1600 North Third Street,
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Response
Weakness Over Return of Pell Grant Program Funds

Dear Mr. Martin:

Management of Baton Rouge Community College concurs with the finding related to weakness over return of Pell grant program funds. The management of Baton Rouge Community College recognizes its responsibility for the timely and accurate return of Pell grants for those students that withdraw during the semester.

The college administration has made the following changes to ensure that Pell returns are processed within the required federal timeframe:

- Training of enrollment services staff to ensure that student withdrawals are entered within two days of receipt of a completed withdrawal form and the correct withdrawal type is entered;
- Enrollment services will run a weekly report to identify any students that are no longer enrolled in courses and do not have a status of withdrawn in the system.
- Financial aid will retain their copy of the student withdrawal form to review for possible recalculation of aid;
- Financial aid will run a monthly report to identify financial aid students that have been withdrawn from all courses but have not had their aid recalculated;

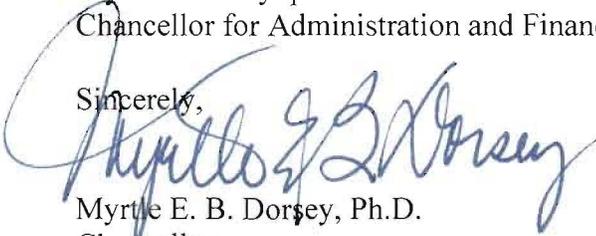
While existing procedures have been effective at reducing the amount of untimely returns to \$1,251 or .02% of total disbursements, the college administration anticipates that these additional procedures will be effective in further reducing future occurrences of untimely returns on annual Pell disbursements of \$6,277,544.

September 14, 2009

The vice chancellor for student affairs, the director of financial aid and the executive director of enrollment services are responsible for ensuring that procedures are implemented and monitored for effectiveness and improvement.

If you have any questions or need additional information, please contact Ms. Pam Diez, Vice Chancellor for Administration and Finance/Audits at 216-8068.

Sincerely,



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

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