

STATE OF LOUISIANA LEGISLATIVE AUDITOR

South Louisiana Community College
State of Louisiana
New Iberia, Louisiana

March 1, 2000



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
New Iberia, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

March 1, 2000

**SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
New Iberia, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999**

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

February 24, 2000

Independent Auditor's Report
on the Financial Statements

SOUTH LOUISIANA COMMUNITY COLLEGE:
STATE OF LOUISIANA
New Iberia, Louisiana

We were authorized to audit the accompanying general purpose financial statements of the South Louisiana Community College, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of management of South Louisiana Community College.

As discussed in Exhibit A of this report, the college's accounting records contained major inadequacies. These inadequacies made it impractical to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying general purpose financial statements.

For the year ended June 30, 1999, certain accounts were omitted from the South Louisiana Community College's financial statements including student tuition and fee receivables, accounts payable, accrued payroll, beginning fund balance deficits, and certain revenues and expenditures. In addition, plant fund activity and balances were excluded from the financial statements; bookstore activity was reflected in the General Fund instead of the Auxiliary Enterprise Fund; and building use fees were reflected in Current Funds - Restricted instead of in the plant funds. Under generally accepted accounting principles, these accounts and balances should be presented in the appropriate funds in the general purpose financial statements.

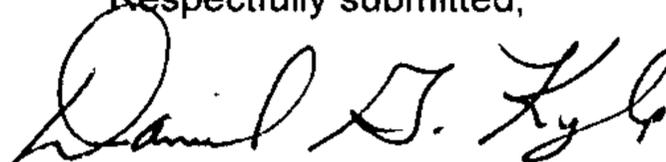
Because we were not able to apply sufficient auditing procedures to satisfy ourselves as to the assets, liabilities, revenues, and expenditures included in the general purpose financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the fair presentation of the accompanying general purpose financial statements.

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
Audit Report, June 30, 1999

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2000, on our consideration of South Louisiana Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

BQD:EFS:DSP:dl

[SLCC]

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Statement A

**SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
ALL FUNDS**

Balance Sheet, June 30, 1999

	CURRENT FUNDS			TOTAL (MEMORANDUM ONLY)
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
ASSETS				
Cash and cash equivalents	\$17,026		\$9,975	\$27,001
Accounts receivable		\$12,097	3,650	15,747
	<u>\$17,026</u>	<u>\$12,097</u>	<u>\$13,625</u>	<u>\$42,748</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Due to state treasury	\$1,542			\$1,542
Deferred revenues	15,484			15,484
Total Liabilities	<u>17,026</u>	<u>NONE</u>	<u>NONE</u>	<u>17,026</u>
Fund equity - current operations - restricted	<u>NONE</u>	<u>\$12,097</u>	<u>\$13,625</u>	<u>25,722</u>
	<u>\$17,026</u>	<u>\$12,097</u>	<u>\$13,625</u>	<u>\$42,748</u>

The accompanying notes are an integral part of this statement.

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Statement B

SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA

Statement of Changes in Fund Balances
For the Year Ended June 30, 1999

	CURRENT FUNDS			TOTAL (MEMORANDUM ONLY)
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$1,690,393			\$1,690,393
Tuition and fees - restricted			\$13,875	13,875
Auxiliary enterprise revenues		\$12,097		12,097
Total revenues and other additions	<u>1,690,393</u>	<u>12,097</u>	<u>13,875</u>	<u>1,716,365</u>
Expenditures and other deductions - educational and general	<u>1,690,393</u>	<u>NONE</u>	<u>250</u>	<u>1,690,643</u>
Fund balances at June 30, 1999	<u>NONE</u>	<u>\$12,097</u>	<u>\$13,625</u>	<u>\$25,722</u>

The accompanying notes are an integral part of this statement.

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Statement C

**SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
CURRENT FUNDS**

**Statement of Revenues, Expenditures,
and Other Changes
For the Year Ended June 30, 1999**

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
Revenues:				
Tuition and fees	\$101,985		\$13,875	\$115,860
State appropriations	1,588,408			1,588,408
Other sources		\$12,097		12,097
Total revenues	<u>1,690,393</u>	<u>12,097</u>	<u>13,875</u>	<u>1,716,365</u>
Expenditures - educational and general:				
Instruction	427,863			427,863
Academic support	102,690			102,690
Student services	292,364			292,364
Institutional support	756,270			756,270
Operations and maintenance of plant	99,109			99,109
Scholarships and fellowships	12,097			12,097
Total educational and general expenditures	<u>1,690,393</u>	<u>NONE</u>	<u>NONE</u>	<u>1,690,393</u>
Net increase in fund balances	<u>NONE</u>	<u>\$12,097</u>	<u>\$13,875</u>	<u>\$25,972</u>

The accompanying notes are an integral part of this statement.

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**SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1999

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In July 1984, the GASB issued Statement 1 which provided that all statements and interpretations issued by the National Council on Governmental Accounting (NCGA) continue as generally accepted accounting principles until altered, amended, supplemented, revoked or superseded by subsequent GASB pronouncements.

The GASB recognized two models for college and university accounting and financial reporting in GASB Statement 15: the AICPA College Guide model, AICPA Industry Audit Guide, *Audits of Colleges and Universities*; and the Governmental model, established by the National Council on Governmental Accounting, *Governmental Accounting and Financial Reporting Principles*. For financial reporting, the Division of Administration has chosen the former. The accompanying financial statements have been prepared in accordance with the AICPA College Guide.

The GASB, Code Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statement of the college contains sub-account information of the various funds of the State of Louisiana. As such, the accompanying financial statement presents information only as to the transactions of the programs of the college as authorized by Louisiana statutes and administrative regulations.

2. REPORTING ENTITY

The South Louisiana Community College is a publicly supported institution of higher education. Using the criteria established in GASB Statement 14, The Financial Reporting Entity, the institution is reported as a discrete component unit of the State of Louisiana since it is legally separate from and is financially accountable to the State.

Annually, the State of Louisiana issues a comprehensive financial statement which includes the activity contained in the accompanying financial statement. The general purpose financial statement is audited by the Louisiana Legislative Auditor.

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SOUTH LOUISIANA COMMUNITY COLLEGE STATE OF LOUISIANA Notes to the Financial Statements (Continued)

3. FUND ACCOUNTING

In order to insure observance of limitations and restrictions placed on the use of the resources available, the accounts of the college are maintained in accordance with the principles of "fund accounting." Such principles prescribe the manner in which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the activities or objectives specified. Accounts are separately maintained for each fund; however, in the accompanying financial statement, funds having similar characteristics have been combined in fund groups. Accordingly, all financial transactions have been recorded and reported by fund groups. A brief description of each of the fund groups follows:

Current Funds

Current funds are operating funds that will be expended in the near term. Such funds have two basic sub-groups - unrestricted and restricted.

Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual Legislative appropriations act, and include the General Fund. Restricted current funds represent those operating funds on which restrictions have been imposed which limit the purposes for which such funds can be used, and includes the Auxiliary Enterprise Fund.

Plant Funds

The Plant Funds group contains four self-balancing sub-groups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Funds for renewals and replacements are set aside from current operating revenues for the renewal and replacement of auxiliary enterprise properties. Funds for retirement of indebtedness are to service plant indebtedness of the college. Investment in plant includes all long-lived assets of the college.

4. BASIS OF ACCOUNTING

The financial statements of the college have been prepared on the accrual basis of accounting.

The statement of current funds' revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It

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SOUTH LOUISIANA COMMUNITY COLLEGE STATE OF LOUISIANA Notes to the Financial Statements (Continued)

does not purport to present the results of operations or net income or loss for the period as would a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as expenditures in the case of normal acquisitions, repairs and renovation; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a non-mandatory nature for all other cases.

5. BUDGET PRACTICES

The annual budget for the General Fund of the college is established by annual Legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Board of Regents and the Legislative budget process is required. The other funds of the college, although subject to internal budgeting, are not required to submit budgets for approval through the Legislative budget process. 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; and (4) certain capital leases are not recorded.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, cash and cash equivalents include petty cash and demand deposits. Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank, and the college 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 college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

7. PLANT ASSETS

Physical plant and equipment are stated at cost at the date of acquisition, fair market value at date of donation in the case of gifts, or estimated historical cost if actual cost is not known, or market value for livestock. Depreciation on physical plant and equipment is not recorded. Public domain or infrastructure assets are not capitalized. Construction in progress is capitalized during construction.

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SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

8. DEFERRED REVENUES

Tuition and fees collected at June 30, 1999, but applicable to the 1999 summer session, and certain revenues for other programs or activities to be conducted primarily in the fiscal year are reported as deferred revenues/credits. Expenses related to this session's programs and activities are reported in the period the tuition and fees are recognized as revenues.

9. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve fund balances, is employed by the college. Encumbrances outstanding at year end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statement because the college does not have the ability to finance the liquidation of encumbrances after June 30, 1999, as provided by Louisiana Revised Statute 39:82.

**10. TOTAL COLUMNS ON COMBINED
STATEMENTS - OVERVIEW**

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not necessarily present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

B. BUDGETARY COMPARISON

The following is an appropriation budgetary comparison for current year appropriation General Fund:

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

	Actual	Adjustment to Budget Basis	Actual on Budget Basis	Budget	Variance Favorable (Unfavorable)
Revenues					
Appropriated by legislature:					
State General Fund (direct)	\$1,573,913		\$1,573,913	\$1,438,282	\$135,631
State General Fund by self-generated revenues	101,985		101,985	463,928	(361,943)
State General Fund by interagency transfers	14,495		14,495	14,495	
Federal funds				15,500	(15,500)
Total revenues	<u>1,690,393</u>	<u>NONE</u>	<u>1,690,393</u>	<u>1,932,205</u>	<u>(241,812)</u>
Expenditures					
Program expenditures	<u>1,690,393</u>	<u>NONE</u>	<u>1,690,393</u>	<u>1,932,205</u>	<u>241,812</u>
UNEXPENDED APPROPRIATION - CURRENT YEAR					
	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

C. PLANT FUNDS

A summary of investment in plant follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Equipment	\$22,385	\$78,947		\$101,332
Library books	41,405		\$7,908	33,497
Total	<u>\$63,790</u>	<u>\$78,947</u>	<u>\$7,908</u>	<u>\$134,829</u>

D. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

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

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivables Statement A</u>
Auxiliary	\$12,097		\$12,097
Restricted	3,650		3,650
Total	<u>\$15,747</u>	<u>NONE</u>	<u>\$15,747</u>

E. 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 (K-time) earned.

Upon separation or termination 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 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.

Upon termination or transfer an employee will be paid for any time and one-half 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 employees' hourly rate of pay at termination or transfer.

The liability for unused annual leave, sick leave, and compensatory leave at June 30, 1999, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$39,441, \$27,458, and \$0 respectively. The leave payable is not recorded in the accompanying financial statements.

The college has not implemented GASB 16 - Accounting for Compensated Absences.

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SOUTH LOUISIANA COMMUNITY COLLEGE STATE OF LOUISIANA Notes to the Financial Statements (Continued)

There are no on-behalf payments for fringe benefits and salaries included in the accompanying financial statement for fiscal year 1999.

F. CONTINGENT LIABILITIES

Losses arising from judgements, claims, and similar contingencies such as guarantor of mortgage loans on sorority and fraternity houses are considered state liabilities and paid upon appropriation by the Legislature and not the college. The college was involved in no lawsuits at June 30, 1999.

G. LEASES

Lease agreements, if any, have non-appropriation exculpatory clauses that allow lease cancellation if the Legislature does not make an appropriation for its continuation during any future fiscal period.

Operating Leases

Operating leases are entered into on a year by year basis; therefore, there are no projected payments in future years.

H. DEFERRED COMPENSATION PLAN

Certain employees of the college participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statement of the State of Louisiana.

I. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE

South Louisiana Community College provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the college's employees become eligible for those benefits if they reach normal retirement age while working for the college. Those benefits for retirees and similar benefits for active employees are provided through a state operated group insurance company and various insurance companies whose monthly premiums are paid jointly by the employee and by the college. The college recognizes the cost of providing these benefits (college's portion of premiums) as an expenditure when paid during the year, which totaled \$22,805 for the year ended June 30, 1999. There were no retirees at June 30, 1999.

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SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
 Notes to the Financial Statements (Continued)

**J. DEPOSITS WITH FINANCIAL INSTITUTIONS
 AND INVESTMENTS**

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the college may deposit funds with a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the college may invest in time certificates of deposit in state banks organized under the laws of Louisiana, national banks having their principal office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The 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 pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at June 30, 1999, were secured as follows:

	Deposits in Bank Accounts			Total
	Cash	Certificates of Deposits	Other (Describe)	
Deposits in Bank Accounts per Balance Sheet	\$27,001	NONE	NONE	\$27,001
Bank Balances:				
A. Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	26,828			26,828
Total Bank Balances	26,828	NONE	NONE	26,828
Difference between Balance Sheet and and Total Bank Balances	\$173	NONE	NONE	\$173

The following is a breakdown by banking institution and amount of the bank balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
Mid South Bank	\$26,828

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

K. AUXILIARY ENTERPRISES

A summary of the net increases in the Auxiliary Enterprise Funds for the year ended June 30, 1999, is as follows:

	<u>Food Service</u>	<u>Housing</u>	<u>Bookstore</u>	<u>Student Center</u>	<u>Athletics</u>	<u>Other</u>
Net income	<u>NONE</u>	<u>\$12,097</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

L. RESERVATIONS OF FUND BALANCE

Fund balances at June 30, 1999, as shown on Statement A, are summarized as follows:

	<u>Unrestricted</u>	<u>Internally Designated</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Total</u>
Current funds	<u>NONE</u>	<u>NONE</u>	<u>\$25,722</u>	<u>NONE</u>	<u>\$25,722</u>

M. PENSION PLANS

Substantially all of the employees of the college are members of the Louisiana Teachers' Retirement System and the Louisiana State Employees Retirement System, which are cost sharing multiple employer defined benefit pension plans. Each system is a statewide public employee retirement system and is available to all eligible employees. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems publish yearly annual financial reports which include detailed historical, financial, and actuarial information.

Employees contribute 8% and 7% respectively of covered salaries, while the college contributes 16.5% and 12.4% of covered salaries. The college's employer contributions to the systems for the year ended June 30, 1999, were \$82,701.

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**SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)**

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education which is a defined contribution plan that provides for full and immediate vesting of all contributions remitted on behalf of the participants. Participants contribute 8% and the college contributes 16.5% of the covered payroll. Benefits payable to participants are not obligations of the State of Louisiana or the Teachers Retirement System; but 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 \$66,757 and \$32,367, respectively, for the year ended June 30, 1999.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting 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.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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February 24, 2000

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

SOUTH LOUISIANA COMMUNITY COLLEGE
STATE OF LOUISIANA
New Iberia, Louisiana

We were authorized to audit the general purpose financial statements of the South Louisiana Community College, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated February 24, 2000. Our audit was to have been conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, because of inadequacies in the college's accounting records, we were not able to apply the foregoing standards.

Compliance

As part of attempting to obtain reasonable assurance about whether South Louisiana Community College's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

Violation of Record Retention Laws

South Louisiana Community College (SLCC) violated record retention laws when it discarded all but a few used receipt books for tuition, fees, books, and other collections for the fiscal year ended June 30, 1999. Louisiana Revised Statute (R.S.) 44:36(A) states that agencies are required to retain records for a minimum of three years from the date on which the public record was made. R.S. 24:514(C) states, "No officer shall destroy any voucher or other paper belonging to his office before it has been examined by the legislative auditor or certified public accountant authorized to perform an audit in lieu of the legislative auditor."

Without the receipt books, we could not account for all receipts issued and, therefore, could not verify the completeness of records or revenues collected. There was a lack of

EXHIBIT A

LEGISLATIVE AUDITOR

SOUTH LOUISIANA COMMUNITY COLLEGE

STATE OF LOUISIANA

Compliance and Internal Control Report

February 24, 2000

Page 2

an audit trail since all receipts were not prenumbered, and for those receipts that were prenumbered, many were missing from the deposit records.

This situation occurred because of management's lack of emphasis on internal controls and its lack of understanding of the applicable laws and regulations. Failure to maintain accountability for all revenues collected results in noncompliance with laws and regulations, an inability to issue accurate financial statements, and increases the risk of fraud.

Management of SLCC should develop and implement procedures to ensure that all financial records are maintained until audited and to ensure compliance with record retention laws. Management concurred with the finding and recommendation and outlined a plan for corrective action (see Appendix A, page 1).

Noncompliance With State Scholarship Requirements

SLCC failed to comply with internal guidelines established for issuing state-funded aid to eligible students and with internal admission policies. SLCC was appropriated \$100,000 to award state scholarships to students in lieu of federal aid and to grant tuition waivers to senior citizens and National Guard students. Internal guidelines were established for awarding the state-funded aid. The guidelines require each student to demonstrate financial need, evidenced by an official Student Aid Report (SAR) listing an Expected Family Contribution (EFC) rate of no more than 1000. Once awarded a state scholarship, a student's tuition costs plus a \$250 book allowance would be waived. Internal admission policies also require students to have a high school diploma, General Education Development (GED) Certificate, or demonstrate an "ability to benefit" from the curriculum. If a student does not have a high school diploma or a GED, the student must pass SLCC's ability-to-benefit test (TABE) or score 15 in Math and 14 in English on the American College Test (ACT). In addition, good internal control requires that accurate and complete financial records be maintained that properly reflect and account for the receipt and disbursement of funds and that properly manage and safeguard assets.

SLCC awarded 66 state scholarships, not including waivers to senior citizens and National Guard students, totaling \$43,638 in the fall and spring semesters of the fiscal year ended June 30, 1999. In a review of the scholarship records, the following deficiencies were noted:

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- Of ten scholarship recipients tested, five did not have the required SAR on file. One recipient should have been ineligible because the EFC rate was 3489 on the SAR. Management indicated that the recipient had a change in status, making him eligible, but could not provide the appropriate SAR.
- Two scholarship recipients were non-high school graduates without GEDs. They took SLCC's ability-to-benefit test instead of the ACT. Although the two recipients did not earn the required scores on the ability-to-benefit test, they were allowed enrollment and awarded state scholarships. These recipients were also among the five recipients mentioned previously who did not have the required SAR in their files.
- During the fall 1999 semester, eight (31%) of 26 recipients had book costs that exceeded the \$250 waiver given with the scholarship. The books were obtained from the SLCC bookstore, which operated for that one semester. Five of the eight had no evidence of payment for book costs, totaling \$111, that exceeded the waivers. Three of the eight had evidence of payment totaling \$174 for book costs that exceeded the waivers, but there was no evidence that these payments were deposited.
- At the end of each semester, scholarship recipients that had book cost waivers are asked to return the books so that they may be issued to other scholarship recipients. The college did not maintain an inventory of books returned and/or reissued to other scholarship recipients.

SLCC did not consistently comply with internally established guidelines for awarding the scholarships and admitting students. Failure to comply with established guidelines caused the misuse of state appropriated funds when ineligible students received state aid. Furthermore, good accounting controls would require that inventory records be maintained to ensure accountability for all books returned to the college and subsequently issued to other scholarship recipients. Without such an inventory, management cannot be certain that the used books are issued only to other eligible scholarship recipients.

SLCC should develop and implement policies to ensure compliance with established guidelines for awarding state-funded aid, to ensure compliance with admission requirements, and to ensure accountability for all assets. Management concurred in part with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 2). Management maintained that SLCC is an open-admissions

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institution and is, therefore, allowed to admit students who earn low scores on the ability-to-benefit test. Management stated that the test is used only for placement.

Additional Comments: The admission requirements section in the student catalog or Schedule of Classes for each semester during fiscal year ended June 30, 1999, indicated that new students who did not have a high school or GED diploma must make a "passing" or "satisfactory" score on the ability-to-benefit test. During the audit, Ms. Jarrell, Counselor, who acts as the financial aid officer, provided auditors with the test scores that were considered "passing" scores. Based on this information, the two scholarship recipients mentioned previously did not obtain passing or satisfactory scores.

Inadequate Controls Over Movable Property

SLCC has not complied with state movable property laws and regulations and did not maintain adequate controls over movable property as follows:

1. SLCC did not tag and forward necessary information to the Louisiana Property Assistance Agency (LPAA) within 45 days of the receipt of movable property as required by Louisiana Administrative Code (LAC) 34:VII.307(A).
 - Twenty-nine of 30 items tested (97%) were not tagged and reported to LPAA in a timely manner. Twenty-seven items were not tagged and reported to LPAA until 50 to 146 business days after receipt. Two items tested had not been tagged or reported to LPAA as of October 1999, although they were received in December 1998 and January 1999.
 - SLCC received a copy machine as a donation during the 1999 fiscal year but could not provide a date of the donation. As of December 1999, the college has not tagged the copier or added it to the inventory listing as required by LAC 34:VII.307(A) and (C).
2. SLCC did not have an inventory of library books. Without an inventory, SLCC could not properly include these assets in the financial statements.
3. Several purchase order numbers were incorrectly input into the inventory system, making the tagging of acquisitions very difficult to track.

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4. No forms were used to document transfers or loans of property between locations. Two of 15 items tested (13%) were not in the correct location according to the inventory listing.

These issues were caused by an overall lack of management knowledge relating to movable property laws and regulations and a lack of policies and procedures to ensure that all acquisitions are properly recorded in the movable property inventory system. Failure to maintain an accurate movable property system increases the risk of loss arising from unauthorized use and subjects the department to noncompliance with state laws and regulations.

SLCC should obtain an understanding of the movable property laws and regulations and should immediately develop and implement policies and procedures to ensure the proper recording and accounting for movable property. Management concurred with the finding and recommendation and outlined a plan for corrective action (see Appendix A, page 3).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Louisiana Community College's internal control over financial reporting to determine our auditing procedures for the purpose of attempting to express an opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, because of inadequacies in the college's accounting records, we were unable to form an opinion on the college's financial statements and related notes. In addition to the matters relating to violation of record retention laws, noncompliance with state scholarship requirements, and inadequate controls over movable property previously disclosed in the compliance section of this report, we noted certain other matters 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 internal control over financial reporting that, in our judgment, could adversely affect South Louisiana Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the following paragraphs:

Accounting Control Weaknesses

SLCC did not establish adequate accounting controls or maintain accurate and complete accounting records for the fiscal year ended June 30, 1999. Adequate internal control requires that accurate and complete financial records be maintained that (1) properly

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reflect and account for the receipt and disbursement of funds, (2) properly manage and safeguard assets, and (3) provide for the preparation of financial statements in accordance with generally accepted accounting principles. The following deficiencies in internal control and accounting records were noted:

Cash

Cash receipts were not deposited timely nor were bank reconciliations prepared timely. Furthermore, deposit records were not properly maintained. Untimely bank deposits and bank reconciliations and inadequate records to support deposits increase the risk that accounting records could contain errors that would not be detected in a timely manner by college personnel and that cash assets could be lost or stolen. Some of the deficiencies noted are as follows:

1. SLCC began collecting self-generated revenues in June 1998, but did not open a bank account and make the initial deposit of \$48,891 until September 1998.
2. SLCC did not deposit cash receipts timely after the bank account was opened. In a test of 11 deposits made to SLCC's bank account, 567 (81%) of 702 receipts were not deposited timely (up to 64 business days after the date of receipt).
3. Five of ten bank statements were not reconciled until 32 to 117 business days after the date of the bank statement.
4. Although SLCC's bank account was opened in September 1998, deposit records were not prepared until approximately March 1999, and deposit records did not agree with receipt documentation. For instance, numerous receipts had dates that were after the dates of deposit. SLCC staff attempted to revise documentation and match receipt documents with deposits, but those efforts failed.

Revenues

SLCC did not have a proper segregation of duties between employees in that they both collected and accounted for revenues. Furthermore, a limited number of employees should collect revenue; receipts should be provided for all collections; and all receipts and receipt books should be accounted for and reconciled to bank deposits and accounting records. Failure to have proper

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segregation of duties and to control and reconcile receipts with deposits increases the risk that errors and fraud will not be detected in a timely manner.

General

1. The collection of funds was not limited to specific employees whose duties were properly segregated so that no one employee could both perpetrate and conceal errors or fraud during the normal course of their duties. Numerous employees collected revenue, including all business office employees, the executive vice president, deans, counselors, an admissions records technician, and a typist.
2. SLCC did not maintain adequate control over receipts or receipt books.
 - SLCC was not aware of how many receipt books were initially purchased or distributed to employees for use. After use, receipt books were discarded.
 - Not all receipts were prenumbered, and many pre-numbered receipts could not be located or traced to the deposit records. There was evidence of duplicate receipts being issued and voided receipts were not maintained. Consequently, employees could not certify that all receipts were accounted for and that all funds had been remitted for deposit.
 - Some receipts had no indication of who received the monies, while other receipts were pre-signed. An employee acknowledged that she created receipts in an attempt to agree other existing records to amounts deposited. Some receipts that she used had been pre-signed by another employee; one receipt was created for a fictitious student.

Tuition and Fees

SLCC had inadequate record keeping over tuition and fee revenues. Numerous records, such as class rosters, student files, and receipt and deposit records, could not be reconciled. Consequently, management is

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unable to verify that tuition and fee revenues and receivables have been properly recorded in the financial statements. Some of the deficiencies noted include the following:

1. No ledgers were maintained to track student account activity; therefore, student tuition and fee revenues and receivables could not be readily identified. A lack of accounts receivable records prevents SLCC from taking sufficient and timely action to collect student receivables and impedes the determination of refunds due when students drop out of the college.
2. Refunds of tuition and fees were not always properly documented or calculated.
 - Before the bank account was opened and checks and cash were still on hand, SLCC would issue refunds for student tuition by returning a student's original check or money order. This practice made it impossible to reconcile the students' files with receipt records.
 - Management cannot certify that the correct refund amounts were paid to students for the 1998 fall semester because drop dates were not always documented.
 - Employees were inconsistent in the methods used to calculate refunds of tuition and fees.
3. Student files could not always be located or did not contain required enrollment information.

Bookstore Receipts

The college operated a bookstore in the summer and fall semesters of fiscal year 1999. Neither bookstore sales nor the cost of books sold could be properly identified and reported in the financial statements because of the following lack of documentation:

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1. No inventory listing or ledger was maintained to track bookstore purchases, sales, returns, or ending inventory.
2. Bookstore receipts were not prenumbered, and several employees collected cash for book sales. Consequently, management cannot be certain that all sales were deposited and recorded in the accounting records.
3. Management could not provide a standard price list for books sold nor explain how book prices were determined.

Payroll

Except for adjunct instructors, time sheets for SLCC employees were not approved on-site by immediate supervisors; they were approved at the Board of Supervisors - University of Louisiana System office in Baton Rouge. The immediate supervisor should approve time sheets to minimize the risk of processing time sheets for nonexistent or former employees or time sheets that contain incorrect hours worked or leave taken.

Expenditures

In a test of 20 expenditures, two payments (10%) did not have adequate supporting documentation for the expenditure, and seven payments (35%) did not have the supporting documentation cancelled or marked "paid" to prevent duplicate payment. Four of these items required receiving reports, but two (50%) did not have a receiving report on file.

Management's lack of involvement in establishing adequate policies and procedures is evidenced by inadequate segregation of duties among employees, inadequate safeguarding of assets, and incomplete and inaccurate financial records for every major type of transaction. Because of these internal control weaknesses, errors or irregularities may occur and not be detected in a timely manner, and accurate financial statements cannot be prepared.

Management should establish written policies and procedures, including the proper segregation of duties and adequate record keeping, to ensure that assets are safeguarded, and financial reports are accurate. Furthermore, these procedures should ensure the timely detection of errors. Management concurred with the finding and recommendation and outlined a plan for corrective action (see Appendix A, page 4).

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Inadequate Financial Reporting

SLCC did not have adequate procedures for preparing the financial statements for the fiscal year ended June 30, 1999. As discussed below, the financial statements contained numerous errors and omitted certain material accounts and note disclosures that are required by generally accepted accounting principles or by the Division of Administration, Office of Statewide Reporting and Accounting Policies.

1. Revenues and expenditures in the financial statements for Current Funds are understated in that they do not include all activity for the fiscal year.
 - Revenues include only the amount that was deposited into SLCC's account in the state treasury. Revenues deposited into SLCC's local bank account and not transferred to the state treasury account were erroneously excluded.
 - Expenditures include only the amounts paid from SLCC's cash account in the state treasury. Expenditures paid from the local bank account are not reflected in the financial statements.
2. Transactions have not been reported in the appropriate fund type in the financial statements.
 - Building use fees should have been recorded in Plant Funds, not in Current Funds - Restricted.
 - Bookstore sales and calculator rentals were reflected in the General Fund instead of the Auxiliary Enterprise Funds.
3. Beginning fund balance was not recorded in the current year financial statements. The prior year financial statements indicated a deficit ending fund balance of (\$65,126).
4. The financial statements do not include all fund types for which there was activity as of June 30, 1999, nor do the statements include all accounts that had balances as of June 30, 1999.
 - Accounts receivable for student tuition and fees were not reported on the Balance Sheet.

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- . The Auxiliary Enterprises fund type includes a balance of \$12,097 in accounts receivable; this balance should have been reported in Cash.
 - . Plant Funds have no activity or balances in the operating statements or on the Balance Sheet. However, the Notes to the Financial Statements disclose an ending balance of \$134,829, additions of \$78,947, and deletions of \$7,908.
 - . Accounts payable and accrued payroll were not reported on the Balance Sheet.
5. Notes to the Financial Statements contain inaccurate information.
- . A \$213,500 adjustment to the budget was not included in the budgetary comparison in the Notes to the Financial Statements.
 - . The disclosure of Auxiliary Enterprise fund operations, by type of auxiliary operation, indicates incorrectly that SLCC had an auxiliary operation for housing instead of a bookstore. Furthermore, the note disclosure is incomplete.

Management did not establish policies and procedures for compiling the financial information that must be included in the financial statements that are prepared in accordance with generally accepted accounting principles and the instructions of the Division of Administration. Furthermore, accounting records have not been maintained in a manner that would enable SLCC to compile some of the necessary financial information. The lack of adequate internal control procedures over the preparation of the financial statements results in the risk that material or significant errors relating to financial reporting could occur and not be detected in a timely manner.

Management should develop and implement control procedures relating to recording and summarizing financial information to ensure that financial statements are prepared in accordance with generally accepted accounting principles and the instructions of the Division of Administration. Management concurred with the finding and recommendation and outlined a plan for corrective action (see Appendix A, page 5).

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

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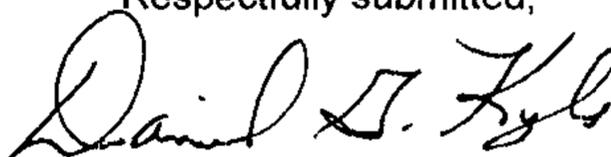
February 24, 2000

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performing their assigned functions. Our consideration of the 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 violation of record retention laws, the inadequate controls over movable property, the accounting control weaknesses, and the inadequate financial reporting to be material weaknesses.

This report is intended solely for the information and use of the South Louisiana Community College 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,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

BQD:EFS:DSP:dl

[SLCC]

EXHIBIT A

Appendix A

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



SOUTH LOUISIANA COMMUNITY COLLEGE

February 2, 2000

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

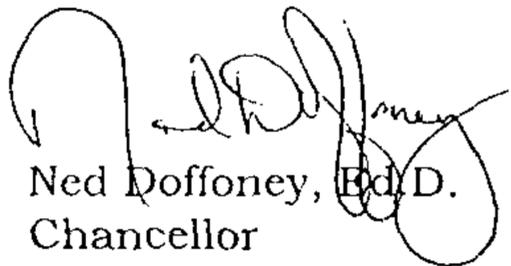
Dear Dr. Kyle:

The management of SLCC concurs with the finding and recommendations related to **Violation of Record Retention Laws.**

As of this date, the College has instituted corrective procedures including sequentially-numbered receipts and receipt number control through the business office. In addition to pre-numbered receipts, the business office now keeps a log and inventory of all receipts secured, along with deposit records, in a fire-proof filing cabinet. SLCC is also in the process of developing policies and procedures that will include a policy related to record retention which will insure compliance with the applicable laws as cited in the audit finding.

Thank you for providing us with this opportunity to address problems germane to our fiscal operation and control. Please advise if you need additional information.

Sincerely,


Ned Doffoney, Ed.D.
Chancellor

A Member of the Louisiana Community and Technical College System



SOUTH LOUISIANA COMMUNITY COLLEGE

February 2, 2000

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

Dear Dr. Kyle:

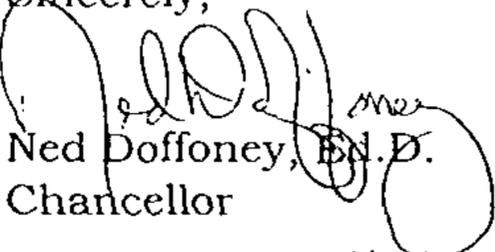
The management of SLCC concurs in part with the finding and recommendations related to **Non-compliance with State Scholarship Requirements**.

In particular, SLCC contends that is not in violation of its internal admissions policies when it admits students who earn low scores on an ability to benefit test. SLCC operates as an open-admissions institution. The results of all testing—by ability to benefit (TABE), ACT or SLCC placement tests—are used for placement only for students seeking a certificate or degree. These are not used for making admissions decisions.

The management of SLCC concurs with all other items in this finding. Requirements for documentation of financial aid eligibility are being specified to include a Student Aid Report or an estimated EFC obtained from the FAFSA on the Web before assistance is awarded. The policy regarding financial aid allowance for books has been re-written to reflect management's intent to cover the cost of books for all eligible students. Also, the College is evaluating its policies and procedures for awarding State financial aid to non-high school graduates.

Thank you for providing us with this opportunity to address problems germane to our fiscal operation and control. Please advise if you need additional information.

Sincerely,


Ned Doffoney, Ed.D.
Chancellor

A Member of the Louisiana Community and Technical College System



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Dr. Daniel G. Kyle, CPA, CFE
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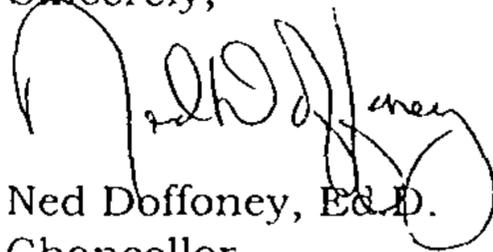
Dear Dr. Kyle:

The management of SLCC concurs with the finding and recommendations related to **Inadequate Controls Over Movable Property**.

All equipment has now been tagged and listed in the College's inventory, and a physical inventory of library books has been completed. Also, policies and procedures have been established to ensure that all acquisitions of movable property are timely recorded and reported and that acquisitions are correctly presented in the financial statements of the College. When restructuring of the Finance area of the College occurs, staff assigned the responsibility for property inventory will be appropriately trained in the laws and regulations governing movable property.

Thank you for providing us with this opportunity to address problems germane to our fiscal operation and control. Please advise if you need additional information.

Sincerely,



Ned Doffoney, Ed.D.
Chancellor

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Dr. Daniel G. Kyle, CPA, CFE
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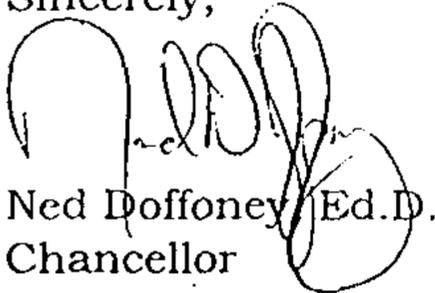
Dear Dr. Kyle:

The management of South Louisiana Community College concurs with the finding and recommendations related to **Account Control Weaknesses**.

The management of South Louisiana Community College recognizes its responsibility to establish and maintain accounting controls to ensure complete and accurate financial records. The College is in the process of developing fiscal policies and procedures that will ensure adequate controls over cash receipts/revenues, payroll, expenditures, as well as other areas of finance.

Thank you for providing us with this opportunity to address problems germane to our fiscal operation and control. Please advise if you need additional information.

Sincerely,



Ned Doffoney Ed.D.
Chancellor

A Member of the Louisiana Community and Technical College System



SOUTH LOUISIANA COMMUNITY COLLEGE

February 2, 2000

Dr. Daniel Kyle, CPA, CFE
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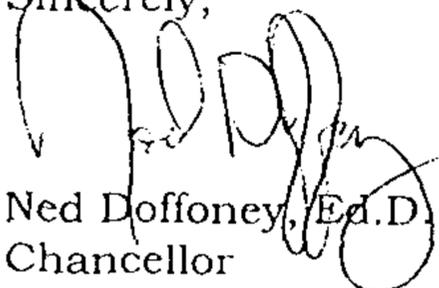
Dear Dr. Kyle:

The management of South Louisiana Community College concurs with the finding and recommendations related to **Inadequate Financial Reporting**.

The management of South Louisiana Community College recognizes its responsibility to establish and maintain control procedures over the preparation of the financial statements. The College is in the process of building an experienced financial staff that will eliminate the weaknesses in controls over financial reporting disclosed in this finding. The College's annual financial statements for the year ending June 30, 2000, will be a part of the system wide financial statements of the Louisiana Community and Technical College System and will include all revenues and expenditures of the College. Transactions will be complete and reported in the appropriate fund type, and accurate note disclosures will be presented.

Thank you for providing us with this opportunity to address problems germane to our fiscal operation and control. Please advise if you need additional information.

Sincerely,



Ned Doffoney, Ed.D.
Chancellor

A Member of the Louisiana Community and Technical College System