

ELAINE P. NUNEZ COMMUNITY COLLEGE  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 21, 2017

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Elaine P. Nunez Community College

September 2017

Audit Control # 80170068

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## Introduction

The primary purpose of our procedures at Elaine P. Nunez Community College (Nunez) was to evaluate certain internal controls that Nunez uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

Nunez is a part of the Louisiana Community and Technical College System (LCTCS), which is a component unit of the State of Louisiana. Nunez's mission is to be a comprehensive community college offering a general education and occupational technologies curriculum that blends the arts, sciences, and humanities leading to associate degrees, certificates, and workforce development. Nunez is composed of the main campus and temporary facility in Chalmette, Louisiana.

## Results of Our Procedures

We evaluated Nunez's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of Nunez's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, student tuition and fee revenues, student receivables, payroll expenses, nonpayroll expenses, and information technology.

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### Current-year Findings

#### Improper Retroactive Pay

Nunez improperly granted two unclassified employees retroactive pay raises, resulting in payments totaling \$79,691, in violation of the Louisiana Constitution.

In February 2016, management authorized a one-time contract payment to two employees for retroactive pay, as follows:

- One employee was granted retroactive pay totaling \$64,482 (\$50,875 salary plus \$13,607 related benefits) for the coordination of a federal program from November 1, 2012, to September 30, 2015. The employee's salary and benefits were funded by the Trade Adjustment Assistance Community College and Career Training Grant (CFDA 17.282). Therefore, the \$64,482 in payments is considered questioned costs that may need to be returned to the federal grantor.
- One employee was granted retroactive pay totaling \$15,209 (\$12,000 salary plus \$3,209 related benefits) for fiscal accounting functions relating to the same federal program from October 1, 2012, to September 30, 2015. Nunez management indicated this employee's salary was charged to indirect costs of the Trade Adjustment Assistance Community College and Career Training Grant (CFDA 17.282). Therefore, the \$15,209 in payments is considered likely questioned costs that may need to be returned to the federal grantor.

Article VII, Section 14 of the Louisiana Constitution of 1974 prohibits the payment of a bonus, or any other gratuitous unearned payment, to public employees. The retroactive pay raises were not approved or authorized prior to the beginning of fiscal year 2013; thus, no obligation existed to make these payments. In addition, management represented the job duties relevant to the federal program were within the employee's normal job descriptions; therefore, these employees had previously been compensated for the duties described in the authorization for the additional one-time payments.

Management represented it authorized the one-time payments to the employees in response to an area of concern in the monitoring report by the U.S. Department of Labor dated July 23, 2015. The area of concern in that report stated that Nunez did not ensure all required grant functions were performed, did not have staff assigned in some areas, and had certain positions filled with individuals not meeting all qualifications.

Management should refrain from making retroactive payments for services that had previously been performed and compensated, and should work with the grantor agency and legal counsel to determine the proper resolution of this issue.

Management did not concur with the finding. Management indicated, "While we agree that the payments noted in the audit finding were unusually large and appear outside of standard procedure, the payments can in no way be considered retroactive bonuses or gratuitous unearned payments. Rather, they represented good faith efforts by Nunez to correct noted deficiencies in these employees' salaries, back to the beginning of the federal grant to which they were assigned. The resulting salaries were well within the pay parameters as provided in the grant budget." Management further stated that "...in those situations where the College finds that employees are being incorrectly or unfairly compensated, especially when pointed out by grant officials and others, the College must act in good conscience and make the necessary corrective payments" (see Appendix A, pages 1-3).

**Additional Comments:** Our procedures disclosed that the employees were compensated at their established salaries at the time the services were rendered for the periods of November 1, 2012, to September 30, 2015, and October 1, 2012, to September 30, 2015. Their established salaries

did not include any provisions for future conditions being met to receive additional compensation for the services previously rendered.

A grant budget, good faith efforts by Nunez, or acting in good conscience by Nunez does not create an obligation for Nunez to provide additional compensation for services previously rendered. Also, the area of concern specific to Nunez personnel in the U.S. Department of Labor monitoring report indicated required grant functions were not being performed. This does not support the creation of an obligation for Nunez to provide additional compensation for the services previously rendered.

### **Lack of Controls over Payroll**

Nunez did not maintain adequate controls over payroll records, increasing the risk that errors and/or fraud may be committed and not detected in a timely manner.

Many Nunez employees hold more than one position, mostly by holding a primary position along with one or more adjunct teaching positions. In a test of time and attendance and related payroll records for 29 employees holding 59 positions for two pay periods, we noted the following:

- Of 36 positions tested for accurate payment calculations, one (3%) was underpaid by \$22,150 in fiscal years 2016 and 2017. Management explained that this employee declined a portion of compensation and allowances allowed under the employment contract; however, the personnel file did not have evidence showing the decline by the employee.
- Two (9%) of the 22 employees holding more than one position recorded overlapping hours on time and attendance records between the multiple positions held during the semester based on the faculty teaching schedule. One of those employees earned compensatory time for one position while recording hours from another position.
- Six (23%) of 26 required personnel action forms could not be located, and three (15%) of the 20 personnel action forms reviewed were not approved by the appointing authority.
- One (7%) of 14 part-time agreements was not approved by the appointing authority.
- Depending on the position held, employees are required to either complete a time sheet or a sign-in sheet. Four (20%) of 20 time sheets did not have supervisory approval, and one (5%) of 22 sign-in sheets could not be located.
- One (25%) of four leave slips did not have supervisory approval.

Management did not place sufficient emphasis on maintaining adequate and complete time and attendance and payroll records, including supervisory approvals. In addition, management did

not sufficiently monitor employees with multiple positions to reduce the risk of overlapping hours.

Management should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees. In addition, management should implement controls to monitor employees with multiple positions to prevent overlapping hours. Management concurred in part with the finding and outlined a plan of corrective action. Management indicated the employee being underpaid was the chancellor, who voluntarily chose to forgo receiving a portion of his authorized housing allowance. Management does not agree that this issue caused an inaccurate payroll since this reduction was authorized by the chancellor on numerous occasions. Furthermore, management stated it felt that verbal instruction from the chancellor, as appointing authority, was sufficient in this case because action was budgetarily favorable (see Appendix A, page 4).

**Additional Comments:** Our procedures disclosed that the chancellor was underpaid by \$15,000 for housing allowance and \$7,150 for compensation during fiscal years 2016 and 2017. Management was unable to provide any evidence showing the decline by the chancellor, and the payroll department was unable to provide the chancellor's current contract effective July 1, 2015. Contract modifications should be documented to reduce the risk of misunderstandings and/or errors.

### **Inadequate Controls over Bank Accounts**

Nunez did not have adequate controls over its bank accounts, increasing the risk that errors and/or fraud could occur and not be detected in a timely manner.

A review of the 19 operating account bank reconciliations for July 2015 through January 2017 disclosed the following:

- All bank reconciliations contained numerous reconciling items for the book balance, ranging each month from \$27,665 (credit) to \$307,539 (debit). Furthermore, many of the reconciling items appeared in multiple reconciliations and/or were carried forward from prior fiscal years. The fact that reconciling items were needed every month to reconcile book to bank balances indicates an ongoing risk that the accounting records are not complete or do not accurately represent all financial transactions.
- Ten (53%) of the 19 bank reconciliations did not accurately reconcile the bank balance to the book balance, resulting in differences ranging from \$222 (credit) to \$412 (debit).
- Fifteen (79%) of the 19 bank reconciliations did not have evidence of management review.
- Three (16%) of the 19 bank reconciliations indicated approval by management after fiscal year 2017, more than a year past the month being reconciled.

- Twelve (63%) of the 19 bank reconciliations indicated completion before the end of the month being reconciled.
- A review of the December 2016 operating account bank reconciliation revealed 35 outstanding checks totaling \$13,659 that were more than one year old. Two of the outstanding checks had been voided but were still included on the outstanding checklists. The others should have been considered for return to the federal grantor and/or the State Treasurer as unclaimed property.

As of March 15, 2017, a former employee still had access to all three Nunez bank accounts, four months after his retirement.

Good internal controls and Nunez policies and procedures require complete and accurate reconciliations of bank account balances to the accounting records with management review on a monthly basis and timely termination of access to bank accounts for former employees. State law [Louisiana Revised Statutes (R.S.) 9:154(A)(10) and 9:159] requires that outstanding checks more than one year old be reported to the State Treasurer as unclaimed property.

Management should ensure compliance with existing policies and procedures over bank reconciliations, ensure compliance with existing laws and regulations over unclaimed property, and develop procedures to ensure prompt deactivation of access to its bank accounts for former employees. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 5).

### **Lack of Controls over Deposits**

Nunez did not timely deposit monies collected or ensure an adequate review of deposit transactions, placing assets at risk of loss due to theft or misuse. A test of 20 deposits, as of January 31, 2017, totaling \$40,036 disclosed the following:

- Twelve (60%) of 20 deposits totaling \$13,190 included funds received from 2 to 23 days prior to the date of deposit. Within these deposits, 100% of the daily cafeteria sales totaling \$1,273 were collected from 2 to 23 days prior to deposit.
- Thirteen (65%) of 20 deposit transactions did not have evidence of supervisory approval.

Article 7, Section 9 (A) of the Louisiana Constitution of 1974 requires that all money received shall be deposited immediately upon receipt. The Division of Administration Policies and Procedures Manual defines “immediately” as within 24 hours of receipt. Good internal control requires timely deposits with supervisory approval. Nunez management was unaware that the cafeteria collections were not being delivered to the bursar’s office daily. In addition, Nunez management was not requiring daily deposits or evidence of supervisory approval.

Management should implement policies and procedures to ensure that monies are deposited immediately upon receipt and deposits are approved by an appropriate level of management. Management concurred in part with the finding and outlined a plan of corrective action.

Management indicated cash received by the cafeteria is frequently in small amounts of less than \$20, and the cash is then either deposited in the cafeteria safe or turned over to the bursar for bank deposit. In addition, management indicated that daily bank deposits are not cost effective due to the low dollar amount of receipts (see Appendix A, page 6).

**Additional Comments:** During our procedures, management informed us that it was unaware that the cafeteria collections were not being delivered to the bursar's office daily. In addition, our procedures disclosed the 12 untimely deposits, which ranged from \$190 to \$3,611. Within these deposits, 12 (75%) of the 16 daily cafeteria sales deposits exceeded \$20.

### **Inadequate Controls over the Banner System**

Nunez did not maintain adequate controls over its Banner Enterprise Resource Planning system (system) that processes transactions and maintains data related to student records and registration, financial aid, human resources, payroll, and financial operations during fiscal years 2016 and 2017. Inadequate controls make the system vulnerable to improper transaction processing, unauthorized access, and/or unapproved changes. The following weaknesses were noted:

- As of February 22, 2017, two employees had the ability to execute the entire procurement process without subsequent approval by a supervisor during fiscal years 2016 and 2017. This type of access should not be granted to an employee, as it increases the risk of fraud and error.
- In a review of 35 manual journals entered into the system, 8 (23%) had incomplete records to support the entry and 3 (9%) were prepared and approved by the same employee. Failure to have supervisory approval and to maintain adequate support for journal entries could result in misstated or unreliable financial data and undetected errors or fraud.

Management did not implement sufficient policies and procedures to monitor access to the system or to maintain appropriate records for manual journal entries with management approval.

Management should restrict or closely monitor any access that allows an employee to initiate, process, and approve the same transactions, or otherwise change system data. In addition, management should ensure that appropriate records are maintained to support manual journal entries with supervisory approval. Management concurred in part with the finding and outlined a plan of corrective action. Management indicated that because of the small size of the business affairs department, absolute segregation of duties is not always feasible. In addition, management stated an approver may need to be the backup preparer to handle cases when other staff is not available to ensure timely processing of transactions within the system. These transactions should be the exception rather than the norm (see Appendix A, page 7).

**Additional Comments:** While we recognize that the small size of an entity may preclude an adequate segregation of duties, management should restrict or closely monitor any access that allows an employee to initiate, process, and approve the same transactions, or otherwise change system data. Our procedures disclosed, as of February 22, 2017, that these two employees



processed 4,916 procurement transactions in the system totaling more than \$5.5 million during fiscal years 2016 and 2017. Although manual approvals were in place, processing this many transactions through the system makes it nearly impossible for management to monitor those transactions for fraud or errors.

### **Noncompliance with Purchase Regulations and Reporting Requirements**

Nunez did not comply with regulations for purchasing of goods and services and did not provide complete contract reports to the LCTCS Board Office as required by LCTCS policy.

The Louisiana Procurement Code (R.S. 39:1594 and 39:1596) and the Small Purchases Executive Orders (BJ 2010-16 and JBE 2016-39) prescribe regulations that agencies must follow when purchasing goods and services. These regulations have been prescribed to ensure that agencies obtain competitive pricing and opportunities are provided to all qualified vendors.

In a test of 20 nonpayroll transactions as of February 12, 2017, we noted the following:

- Individual invoices for two vendors did not exceed \$5,000; however, a review of the check registry revealed total payments to the vendors for recurring purchases exceeding \$5,000, thus requiring a competitive process. Nunez did not comply with the competitive process of the Small Purchases Executive Orders, which requires obtaining price quotations from three or more qualified vendors for purchases exceeding \$5,000 but less than \$15,000 and price quotations from five or more qualified vendors for purchases exceeding \$15,000 but less than \$25,000. Procedures disclosed the following:
  - During fiscal year 2016, payments totaling \$24,554 were processed to the same vendor. Nunez represented that the purchases were for food, materials, and supplies for teaching that are exempt from the competitive process, but Nunez was unable to provide adequate records to support the educational purpose of those transactions.
  - During fiscal year 2017, payments totaling \$8,348 were processed to the same vendor. Nunez represented that the purchases were not for similar items; however, our procedures noted that all of the purchase transactions were for educational purposes that would require a competitive process.
- During fiscal year 2017, a payment totaling \$23,129 was processed to a vendor for maintenance services. Nunez did not comply with the competitive process of the Small Purchase Executive Orders, which requires obtaining price quotations from five or more qualified vendors for purchases exceeding \$15,000 but less than \$25,000.

In a separate test, we noted that five (71%) of seven quarterly contract reports submitted to the LCTCS Board Office were incomplete. LCTCS policy states that each institution shall submit a quarterly report of all contracts between \$2,000 and \$20,000 to the LCTCS Board Office for review.

Management did not have procedures in place to monitor vendor purchase totals or to ensure that quarterly contract reports submitted to the LCTCS Board Office were complete.

Nunez management should ensure all purchases comply with the applicable purchase regulations. In addition, management should implement procedures to ensure complete quarterly contract reports are submitted to the LCTCS Board Office. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 8).

### **Inadequate Controls over the Assessment and Refunding of Student Tuition and Fees**

Nunez did not maintain adequate controls over the assessment and refunding of student tuition and fees, which resulted in undercharges and overcharges to students.

Our procedures disclosed the following:

- Two students were undercharged \$4,855 for courses delivered in a compressed timeframe as a result of manual adjustments to student accounts without proper support or approvals.
- Two students were overcharged \$561 when a course was dropped from their class schedules during the Fall 2015 semester. The students being overcharged was a result of the refund dates being set up incorrectly in the Banner student system.
- Refund periods and refund percentages were inconsistently defined in the Banner student system for the terms of one of its programs delivered in a compressed timeframe during multiple semesters. In addition, the refund schedule for this program was not made available for the students as required by LCTCS and Nunez policy.

Nunez management should implement controls to ensure manual adjustments are in accordance with the established student tuition and fee schedule for each term within the semester. In addition, management should ensure that the approved refund rules are properly set up in the Banner student system and should ensure the refund schedule, including percentages to be refunded and applicable dates, are posted in the academic calendar or otherwise made available to all students. Any overcharged amounts should be credited to the student accounts or refunded to the students, and efforts should be made to collect on undercharged accounts. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 9).

### **Noncompliance with Tuition Discount Policy**

Nunez was unable to provide records that documented the reduced tuition rate applied to students was adequate to cover the costs of providing instruction as required by its policy.

In a test of 18 student accounts, 4 (22%) students received discounted tuition and fees totaling \$8,313 without supporting documentation for the amount of the reduction. Nunez's tuition discount policy provides that the college may, under certain circumstances, discount the amount of tuition assessed to a group of students from whom the college experiences reduced costs. The

criteria for the reduction in tuition may include other circumstances when the college can document that the reduced tuition rate is adequate to cover the cost of providing instruction.

Management represented that the reduced tuition rate, determined by prior management, was adequate to cover the costs of providing instruction based on its July 2017 analysis.

Prior to applying discounts to student accounts, management should ensure records are prepared and maintained to document that the reduced tuition rate assessed to students is adequate to cover the costs of providing instruction to ensure compliance with its policy. Management did not concur with the finding. Management indicated discounted fees were allowed to students involved in a process technology program that was funded almost entirely by a \$200,000 Rapid Response grant for instruction, equipment, and various administrative functions. Furthermore, management stated that most of the students participating had tuition covered by a St. Bernard Parish grant. Management stated it does not feel it prudent to expend resources on detailed analysis of that which is obvious (see Appendix A, page 10).

**Additional Comments:** During our procedures, management informed us that prior management did not “create a worksheet to show the discounts given wouldn’t create deficit spending” for the Industrial Technology program. In addition, current management was unable to provide complete records to show the reduced tuition rate applied to students was adequate to cover the costs of providing instruction, as required by policy.

### **Noncompliance with Hardship Waiver Requirements**

Nunez had not posted the application process for hardship waivers of tuition and fees on its website, as of April 9, 2017, so that students could apply for the waivers before registration as required by LCTCS policy (5.021) and state law [R.S. 17:3351(A)(5)(d) and 17:3351.10]. This noncompliance could result in a financial loss for students who were eligible for the waivers.

In a test of 18 student accounts, one student was awarded a hardship waiver of \$604 at the recommendation of an instructor. Although the student’s unmet financial need was verified prior to awarding of the waiver, the student did not complete an application as required by LCTCS policy and Nunez’s established application process.

Nunez should include the application and criteria for hardship waivers on its website to ensure that it is easily accessible to all current and prospective students and to ensure compliance with LCTCS policy and state law. In addition, management should adhere to its application process. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 11).

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## **Cash**

We obtained an understanding of Nunez’s controls over cash and deposits. We performed procedures relating to the bank reconciliations for Nunez’s operating bank account for the months of July 2015 through January 2017. We also performed procedures to determine if

deposits were timely deposited and were reviewed, and if accesses to the bank accounts were for current employees. Based on the results of our procedures, we determined that Nunez did not have adequate controls over bank accounts and deposits (see Current-year Findings section).

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## **Student Tuition and Fees**

We obtained an understanding of controls over student tuition and fee revenues. We performed procedures on selected transactions to determine if Nunez was properly assessing and refunding certain student tuition and fee revenues. We performed procedures to determine if student tuition and fee revenues received were accurately recorded and correctly posted to student's accounts. We also performed procedures to determine if tuition discounts and waivers were properly documented and were in compliance with applicable policies and laws. Based on the results of our procedures, Nunez did not maintain adequate controls over the assessment and refunding of student tuition and fees. In addition, we determined Nunez did not comply with its tuition discount policy and with policies and state law regarding hardship waivers (see Current-year Findings section).

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## **Student Receivables**

We obtained an understanding of controls over the collection of past-due student accounts. We performed procedures to determine if Nunez has policies and procedures in place for the collection of past-due student accounts by timely notifying the students and transferring delinquent accounts to the Department of Justice. Based on the results of these procedures, we determined that the College made timely efforts to collect on past-due student accounts.

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## **Payroll Expenses**

Nunez has approximately 161 employees. We obtained an understanding of Nunez's controls over payroll processing and documentation in accordance with standards established by the Department of Civil Service, LCTCS and Nunez's policies, and with state law. We performed inquiries of the college's personnel, selected transactions for testing, and examined support for time sheets, authorized salaries, and leave taken for a selected sample of employees. Based on the results of our procedures, Nunez did not maintain adequate controls over payroll records and improperly granted employees retroactive pay raises (see Current-year Findings section).

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## **Nonpayroll Expenses**

We obtained an understanding of controls over nonpayroll expenses. We tested selected expenses and examined support to determine if the transactions were properly authorized, accurately recorded, adequately supported, and were in compliance with applicable laws and

regulations. We also performed procedures to determine if Nunez submitted quarterly contract reports to the LCTCS Board Office. Based on the results of our procedures, Nunez did not comply with regulations for purchasing of goods and services and did not provide complete contracts to the LCTCS Board Office (see Current-year Findings section).

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## **Information Technology**

We obtained an understanding of controls as it relates to Nunez's Banner Enterprise Resource Planning System, which processes transactions and maintains data related to student records and registration, financial aid, human resources, payroll, and financial operations. We performed procedures to determine if Nunez maintained proper segregation of duties within the system. We also performed procedures to determine if manual journals entered into the system were approved and supported. Based upon the results of our procedures, Nunez did not maintain adequate control over its system (see Current-year Findings section).

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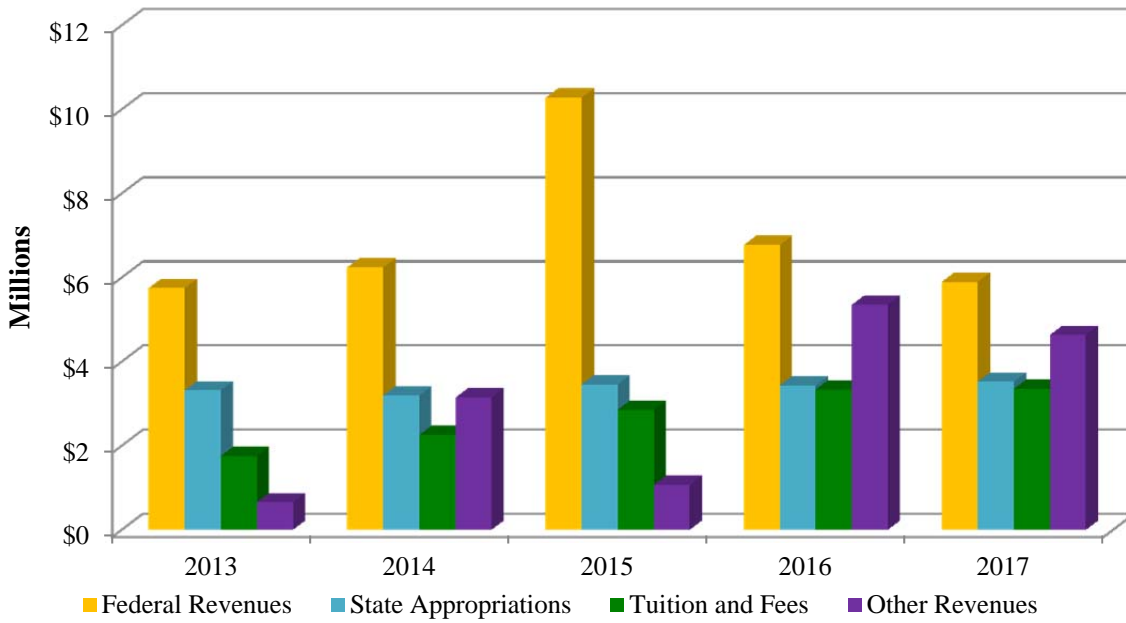
## **Trend Analysis**

We compared the most current and prior-year financial activity using Nunez's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Nunez management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years, as shown in Exhibits 1 and 2.

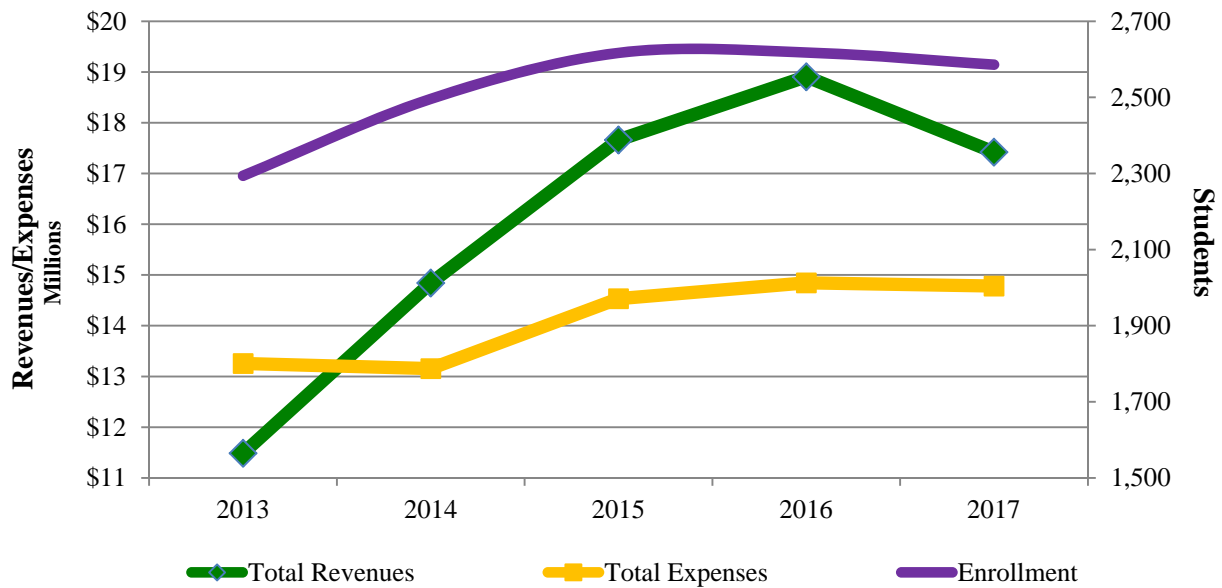
In analyzing financial trends of Nunez over the past five fiscal years, we determined that revenues have increased by 52%. Tuition and fee revenues have increased by 91%, primarily from increases in LCTCS Board-approved tuition and fees. Other revenues, consisting primarily of capital appropriations, have significantly increased. Nunez received capital appropriations for the construction of the Stewart Administration Building and the Fine Arts Building that were completed in fiscal years 2016 and 2017, respectively.

**Exhibit 1  
Five-Year Revenue Trend, by Fiscal Year**



Source: Nunez Annual Financial Reports, as adjusted

**Exhibit 2  
Fiscal/Enrollment Trends, by Fiscal Year**



Sources: Nunez Annual Financial Reports, as adjusted, and Louisiana Board of Regents

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first name being the most prominent.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

JBM:CLL:BQD:EFS:aa

NUNEZ 2017





## **APPENDIX A: MANAGEMENT'S RESPONSES**





# NUNEZ COMMUNITY COLLEGE

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## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

### **Re: Nunez Community College Audit Finding- Improper Retroactive Pay**

Dear Mr. Purpera,

Nunez Community College does not concur with the aforementioned finding.

While we agree that the payments noted in the audit finding were unusually large and appear outside of standard procedure, the payments can in no way be considered retroactive bonuses or gratuitous unearned payments. Rather, they represented good faith efforts by Nunez to correct noted deficiencies in these employees' salaries, back to the beginning of the federal grant to which they were assigned. The resulting salaries were well within the pay parameters as provided in the grant budget. In addition, these payments were not made from the general operating budget of the College, but rather from the federal funds which were adequately provided for in the grant budget for these purposes. The resulting salary levels were clearly within that authorized by the grant budget. In fact, the thrust of the audit finding seems to rest in the methodology of the payments being made effective to the beginning of the grant, rather than in the actual resulting salaries.

As a result of legal opinion, we agree that the actions taken by Nunez lack significant documentation, but not validity of the payments, nor legality for them.

### **Statement of Facts:**

Nunez Community College ("Nunez" or the "College") was granted a TAACCCT Grant ("the Grant") from the U.S. Department of Labor (DoL) in October of 2013 for \$2.7 Million dollars to expand and develop the Business Education Department at the College. Under Nunez's personnel structure, the Grant would normally be administered by the Director of Sponsored Programs, a position that had an established salary schedule. Shortly after the Grant was awarded, the incumbent in that position left the College in pursuit of a position at a local university. Nunez thereafter did a search for someone to fill the position and hired Kimberly Rutherford ("Ms. Rutherford"), at \$42,000 in annual salary, in November of 2013. The salary at which Ms. Rutherford was hired was based upon Nunez's existing salary structure and had no direct relation to the Grant.

Soon after Nunez's filling the position of Director of Sponsored Programs, the Liaison from the DoL, Douglas Harris ("Mr. Harris"), had a conference call with Nunez administration and stated that he wanted only one person designated as contact for purposes of the Grant. In addition, he said that Nunez should only make contact with him directly. Anyone with whom Nunez needed to speak at the DoL besides him (fiscal experts, etc.) would make contact by phone after Mr. Harris made the appointment with that individual. Nunez's designee for contact with DoL was Ms. Rutherford. Mr. Harris said he would speak with Ms. Teresa Smith ("Ms. Smith"), Vice Chancellor for Advancement, on the rare occasions, where need arose.

In January of 2014, the College began development of the Grant programs within the Business Education Department and, by summer of 2014, began to work with the first group of students for the newly developed programs. The College anticipated having a monitoring or audit visit by the DoL in 2014, but Mr. Harris indicated that he was unable to schedule the College for that year. Nunez officials expected that such an audit or monitoring visit would allow for timely assessment of the programs' progress and for adjustment going forward toward a second monitoring visit. The Grant programs' audit was finally scheduled for June 15-19, 2015, one year later than expected and approximately one and one-half years after the Grant programs had commenced, as evidenced in a letter dated May 1<sup>st</sup>, 2015 from Nicholas Lalpui from U Dept of Labor.

On July, 23, 2015, the Monitoring Report following the June 2015 audit visit was issued to Nunez indicating compliance findings and outlining required corrective action by Nunez. Additionally, one "area of concern" was noted. The "area of concern" involved personnel as evidenced by Monitoring Report Standard 2.2. According to the Report, Mr. Harris recommended that Nunez assign additional personnel or additional duties to current personnel to assure that the objectives of the grant were being met. In addition, he pointed out that most of the colleges involved with the TAACCCT grants had at least one full-time administrative person and one full-time fiscal person working with the grant.

After several discussions with Mr. Harris, it was determined that Nunez could utilize the individuals that were currently working with the grant (Kimberly Rutherford and Karen Dragon), as they had already been doing what was required. Mr. Harris cautioned us that those individuals should be receiving compensation commensurate with their duties and commensurate with similarly situated employees of other such grant programs. He additionally stated that, while he could not tell us what to pay our staff, we should make sure that we were not creating cause for additional concern by the DoL with the employees' level of compensation. He also indicated that the money was in the grant under indirect funds, and that the College should pay the individuals whatever amount that may have been owed to them, in order to help clear up the additional concern of the slow spending of funds.

Ms. Smith asked Mr. Harris to provide something in writing regarding the need for this action, which he did in an email dated September 23, 2015. Nunez thereafter researched what other TAACCCT grant programs paid employees in similar employment positions. Specifically, Nunez went to the database for the College and University Professional Association for Human Resources ("CUPA") to compare job titles and duties and related salaries. Additionally, Nunez obtained information from Bossier Parish Community College regarding the salary of the administrative personnel overseeing its TAACCCT grant program, Mr. Christian Lagarde. After reviewing the

information and discovering that the salary levels paid to Nunez's grant employees was below the average paid to others, it was determined that both Ms. Rutherford and Ms. Dragon should receive salary adjustments to avoid any future deficiency finding. Thus, the salaries of both individuals was adjusted to meet the average of other similarly situated employees. It was also determined that back pay was due to them to correct the deficient pay that they had received during the initial period that they served in their employment positions with the grant program.

It is therefore apparent that Rutherford and Dragon merely received the compensation they should have received from the beginning of the grant in a lump-sum pay correction, and began receiving the same level of compensation from that point until the sunset of the grant. The lump-sum payments referenced were not bonuses. Rather they were a correction of these employees' beginning pay as administrators of the grant. Moreover, the lone impetus for this action was the Monitoring Report issued by DoL dated July 23, 2015 and subsequent discussions with Mr. Harris. The report and those discussions implied that the College was underpaying its employees who were managing the grant and that a deficiency finding might result from failure to rectify the problem.

In discussing the Monitoring Report with officials at DoL, it was suggested that the low salaries were of concern. Despite Nunez officials request for clarification on the issue of salaries, the DoL officials remained ambiguous, as evidenced in their email dated September 23, 2015. Except to specify that a possible violation of Standard 2.2.4 might result from Nunez not addressing the problem, Mr. Harris gave little direction in writing. In verbal discussions, Mr. Harris provided a recommended course of action to mitigate DoL concern, i.e., to increase these employees' salaries to levels commensurate with their counterparts at other colleges, effective to the beginning of the grant. As such, Nunez's making these payments represented an honest attempt by the College to respond to the recommendations of DoL officials and to avoid deficient findings in future monitoring reports.

As a matter of policy, the College does not make retroactive payments and/or promotions for services that had previously been performed and compensated. However, in those situations where the College finds that employees are being incorrectly or unfairly compensated, especially when pointed out by grant officials and others, the College must act in good conscience and make the necessary corrective payments.

As a result of Nunez's actions, the findings and recommendations of the Department of Labor in relation to the grant were resolved as evidenced in their letter dated April 27<sup>th</sup>, 2016.

Sincerely,



Dr. Thomas Warner  
Chancellor



# NUNEZ COMMUNITY COLLEGE

3710 PARIS ROAD • CHALMETTE, LA 70043 • (504) 278-6468 • FAX: (504) 278-6480

## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Inadequate Controls over Payroll**

Dear Mr. Purpera,

Nunez Community College concurs in part with the aforementioned finding.

This finding involved three separate issues. The first was inaccurate payments and notes an employee as being underpaid by \$22,150. The employee in question is the Chancellor who voluntarily chose to forego receiving a portion of his authorized housing allowance. We do not agree that this issue caused an inaccurate payroll since this reduction was authorized by the chancellor on numerous occasions. Furthermore, management felt that verbal instruction from the chancellor, as appointing authority, was sufficient in this case because action was budgetarily favorable.

The second part of this finding involves times for separate functions performed by an employee overlapping. We feel this is more of a record keeping issue with the manual payroll system currently in use at Nunez Community College than a true overlapping of work times. Nunez' Human Resources Department is implementing computerized time reporting. The automated timesheets should allow the college to more accurately monitor time reporting and avoid overlapping hours.

The third part of this finding involved various clerical issues and missing approval signatures on documents. In addition to being more diligent in preparing and filing required forms, the electronic time reporting mentioned above will be helpful in tracking all activity that requires approval.

Richard Greene from Nunez Community College Human Resources department is responsible for implementing the electronic timesheets to better manage and report on employees time worked. Expected completion is September 30, 2017.

Sincerely,

Dr. Thomas Warner  
Chancellor



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## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Lack of Controls over Bank Accounts**

Dear Mr. Purpera,

Nunez Community College concurs with the aforementioned finding.

Bank activity is monitored on a daily basis by the Chief Financial Officer. Nunez' assistant controller has finalized all reconciling items that were not accounted for in our system.

Additionally, an issue was identified in which it appeared the former CFO still had access to bank accounts through online access. While the former employee was still listed as being able to access banking information, his login token was in possession of the current CFO. This employee had no means to access any information online.

Nunez has implemented a policy of monthly bank reconciliations effective May 1, 2017. The assistant controller reconciles all bank accounts monthly and submits them for review by the CFO/Controller. Chief Financial Officer, David Huff was responsible for the implementation of this policy.

Sincerely,

Dr. Thomas Warner  
Chancellor



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## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Lack of Controls over Deposits**

Dear Mr. Purpera,

Nunez Community College concurs in part with the aforementioned finding.

Deposits of cash come from two sources, bursar collections and cash received at the campus café.

Cash received from the café is frequently in small amounts of less than \$20. All cash in excess of amounts needed to make change are recorded on daily summary sheets and removed from the register. Cash is then either deposited in a safe at the café or turned in to the bursar for bank deposit. Due to the low dollar amount daily bank deposits are not cost effective. However, no excess cash remains in the register exposed to the possibility of theft or errors.

The other source of deposits is money received from students at the bursar window. Any delays in depositing funds at the bank would have been the result of needing coding clarification. Generally staff would not take deposits every day if they were small, but would make a special run if large. Staff availability sometimes resulted in multiple small daily receipts being held in a safe until sufficient amounts existed to make a bank deposit cost effective.

Nunez Community College plans to continue depositing money received immediately into locked safes on campus and making bank deposits whenever amounts accumulate in excess of \$200. This policy is effective as of September 1, 2017 and was implemented by the Chief Financial Officer, David Huff.

Sincerely,

Dr. Thomas Warner  
Chancellor





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## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Inadequate Controls over the Banner System**

Dear Mr. Purpera,

Nunez Community College concurs in part with the aforementioned finding.

Because of the small size of the business affairs department, absolute segregation of duties is not always feasible. An approver may need to be the backup preparer to handle cases where other staff are not available to ensure timely processing of transactions within the system. These transactions should be the exception rather than the norm.

Additionally there were some journal entries with incomplete or missing support documentation. Nunez concurs with this part of the finding. All staff will be more diligent in storing supporting documents and worksheets as well as verifying signatures from approvers.

Nunez Information Technology Department will review user access and correct any problems that could potentially cause errors or fraud. This will be completed by September 15<sup>th</sup>, 2017. Jason Hosch is the Nunez of Nunez IT dept. is the contact on this matter

Sincerely,

Dr. Thomas Warner  
Chancellor



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## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Noncompliance with Purchase Regulations and Reporting Requirements**

Dear Mr. Purpera,

Nunez Community College concurs with the aforementioned finding.

This finding includes two different matters, failure to comply with competitive bid rules and failure to file accurate quarterly contract reports.

Corrective action includes a review of all transactions and additional efforts from the purchasing department to identify repair contracts, purchasing supplies, and other items that may need competitive bids.

The transactions that caused this finding involved items we believed were being purchased for educational purposes but were actually related to facility management and auxiliary services. A review of current agreements has already been completed to ensure compliance.

On the issue regarding incomplete reports, Nunez' purchasing department implemented procedures to reconcile contracts entered in Banner to ones that are still in progress. This process involves more communication with others in the department who may have contracts that are in process of being recorded.

Wendy Frazier, Assistant Controller of Acquisitions, Contracts and Property is the contact person in this matter.

Sincerely,

Dr. Thomas Warner  
Chancellor



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August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Inadequate Controls over the Assessment and Refunding of Student Tuition and Fees**

Dear Mr. Purpera,

Nunez Community College concurs with the aforementioned finding.

Nunez will implement additional procedures that will involve testing the registration and withdrawal with sample students. Testing will involve samples of regular semesters as well as compressed academic terms to ensure proper refunds are issued.

Tachel Jones from the bursar's office will work in conjunction with the registrar's office to ensure correct setup of schedules in the Banner system. We expect completion by September 30, 2017.

Sincerely,

Dr. Thomas Warner  
Chancellor



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## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Noncompliance with Tuition Discount Policy**

Dear Mr Purpera,

Nunez Community College does not concur with the aforementioned finding.

Nunez tuition discount policy provides for the possibility of applying discounts to certain classes of student from which the college experiences reduced costs. In the case noted in the finding, discounted fees were allowed to students involved in a process technology program that was funded almost entirely by a \$200,000 Rapid Response grant.

A breakdown of the budget for this program shows the salaries associated with instruction of approximately \$86,000, equipment purchases of approximately \$73,000 and the remainder of the funds allocated to various administrative support functions and advertising. This budget was prepared solely based on Rapid Response grant funds and included no tuition charges. Any tuition received was expected to generate operating surpluses.

Based on these figures Nunez management felt like no further analysis was required. Furthermore, most of the students participating had tuition covered by a St Bernard Parish grant. Payments were made on behalf of qualifying students but the amounts did not correspond to ordinary tuition and fee charges by the college. The remaining tuition and fee balance after applying grant funds was discounted so that participating students had no out of pocket expense. Where it is apparent from available data that revenues generated are covering related costs, management does not feel it prudent to expend resources on detailed analysis of that which is obvious.

Sincerely,

Dr. Thomas Warner  
Chancellor



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## CHANCELLOR'S OFFICE

August 31, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**Re: Nunez Community College Audit Finding- Noncompliance with Hardship Waiver Requirements**

Dear Mr. Purpera,

Nunez Community College concurs with the aforementioned finding.

The corrective action plan for this item has already been completed. Nunez has updated the school's website to include information about the hardship waiver along with a form students can utilize to apply. Website update was completed April 10, 2017.

Sincerely,

Dr. Thomas Warner  
Chancellor



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at Elaine P. Nunez Community College (Nunez) for the period from July 1, 2015, through June 30, 2017. Our objective was to evaluate certain internal controls Nunez uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review Nunez's Annual Fiscal Reports, and accordingly, we do not express opinions on those reports. Nunez'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.

- We evaluated Nunez's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to Nunez.
- Based on the documentation of Nunez's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, student tuition and fee revenues, student receivables, payroll expenses, nonpayroll expenses, and information technology.
- We compared the most current and prior-year financial activity using Nunez's annual fiscal reports and/or system-generated reports and obtained explanations from Nunez's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at Nunez and not to provide an opinion on the effectiveness of Nunez's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.