

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE
SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JANUARY 22, 2020

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.30. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 6094 or Report ID No. 80190092 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



South Louisiana Community College

January 2020

Audit Control # 80190092

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) and the Single Audit Report of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at South Louisiana Community College (College) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of the College's internal controls over financial reporting and compliance; and determine whether the College complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the College's management letter dated December 26, 2018. We determined that management has resolved the prior-year findings related to Inadequate Administration over Federal Direct Student Loans Program and Weaknesses over Banner Tuition and Fees and Refunds.

As of July 1, 2018, South Central Louisiana Technical College (SCLTC) Young Memorial Campus officially realigned with the College. Our auditors reviewed the status of the prior-year findings reported in SCLTC's procedural report dated August 29, 2018, for functions that were assumed by the College. We determined that management has resolved the prior-year findings related to Inadequate Controls over Bank Reconciliations, Inadequate Collection Procedures over Delinquent Student Accounts, Inadequate Controls over the Banner System, and Inadequate Controls over Federal Contract.

Current-year Finding

Possible Improper Payments to Employees

The College may have violated state law when it granted its employees one-time payments in the amount of 2% to 7% of each employee's gross salary. The one-time payments, totaling

\$1,248,072 during state fiscal year 2019 were made under the College's Rewards and Recognition Program policies. However, SLCC's rewards and recognition policies do not provide for written objective criteria or performance indicators that provide how the unclassified or classified employee will be reviewed and determined to merit reward and recognition. In addition, the payments were not made for significant outstanding performance that is tied to specific accomplishments by an employee or group of employees, but rather on the basis of the overall performance of the College. Therefore, the payments appear to be bonuses, which are prohibited under state law.

Article VII, Section 14(A) of the Louisiana Constitution states that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Attorney General (AG) *Opinion No. 95-145* further notes that additional pay under a rewards and recognition policy must be for individual action and not based on the overall performance of the public entity in order to be in accord with Article VII, Section 14. The opinion further notes that the payment of a bonus – or any other gratuitous unearned payment to public employees – is prohibited, as it would be tantamount to a donation.

The College should seek an AG Opinion to distinguish the one-time payments given from prohibited bonuses. The College should also amend its policies to establish written objective criteria, set in advance, that will be used and documented to evaluate against granting an award. Management did not concur with the finding but noted that it will take under consideration obtaining an AG Opinion if the College considers one-time salary payments in the future (see Appendix A).

Financial Statements - Louisiana Community and Technical College System

As a part of our audit of the System's financial statements for the year ended June 30, 2019, we considered the College's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Cash and Cash Equivalents, Accounts Receivable resulting from student tuition and fees, and Due from Federal Government resulting from federal nonoperating revenues

Liabilities - Accounts Payable and Accruals, and Unearned Revenues resulting from student tuition and fees

Net Position - Net Investment in Capital Assets, Restricted-Expendable, Restricted-Nonexpendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student tuition and fees net of scholarship allowances and Federal Nonoperating Revenues

Expenses - Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Possible Improper Payments to Employees, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, we performed procedures as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on information submitted by the College to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings.

The College's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings is materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing the College's internal control and compliance with related laws and regulations over movable property.

Based on the results of these procedures performed, we did not report any findings.

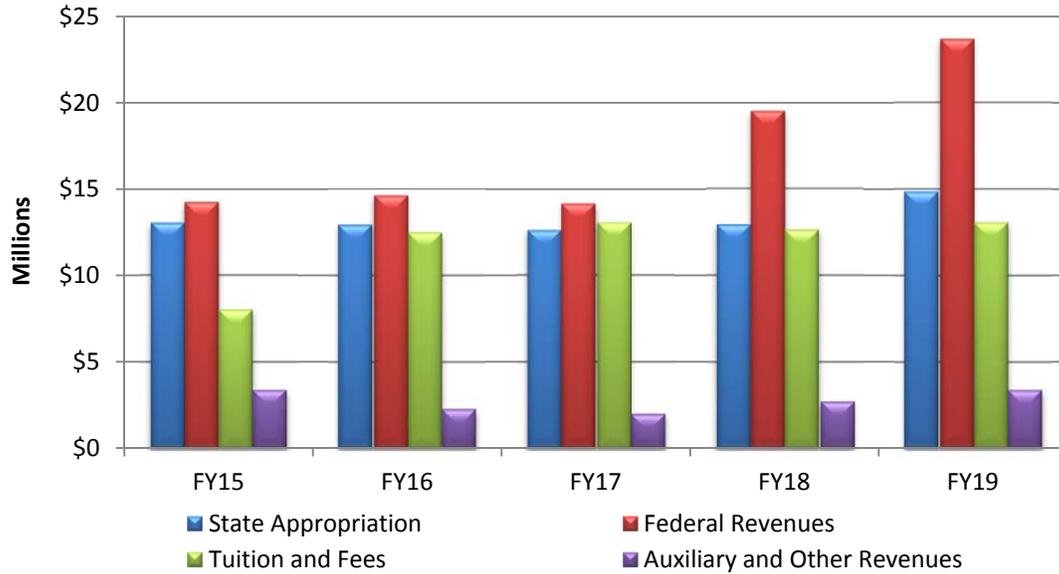
Trend Analysis

We compared the most current and prior-year financial activity using the College's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the College's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

In analyzing the financial trends of the College over the past five fiscal years, federal revenues increased in fiscal years 2018 and 2019 due to new or additional funding for the following grants and contracts: Pell Grant, Workforce Innovation and Opportunity Act, Supplemental Educational Opportunity Grants, Predominantly Black Institution, and Employment and Training Administration Grant transferred from SCLTC. In 2016, tuition and fees revenue increased mainly due to increased tuition rates as allowed by the GRAD Act, new fees, and fee increases. Operating expenses increased in 2018 due to the addition of non-credit programs from SCLTC and additional funding from federal grants and contracts, and increased significantly in 2019 due to the transfer of the Young Memorial Campus from SCLTC and the Louisiana Marine

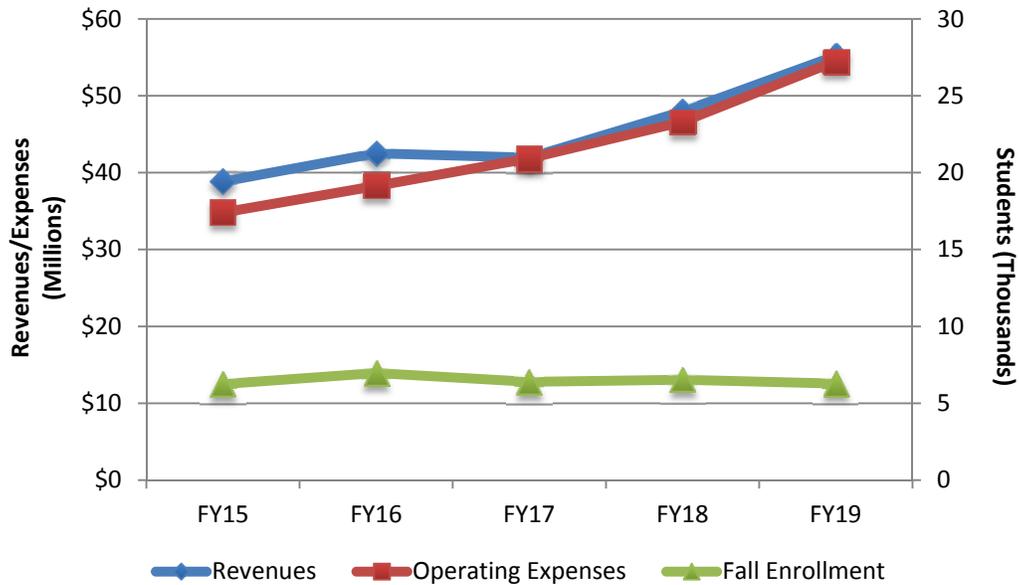
Petroleum Institute from L.E. Fletcher Technical Community College (FTCC) to the College. Operating expenses also increased in 2019 due to additional funding from federal grants and contracts and increases in salaries and related benefits.

Exhibit 1
Five-Year Revenue Trend, by Fiscal Year (FY)



Source: Fiscal Year 2015-2019 SLCC Annual Fiscal Reports/Agency Reports

Exhibit 2
Fiscal/Enrollment Trends



Source: Fiscal Year 2015-2019 SLCC Annual Fiscal Reports/Agency Reports

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of the College. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the College should be considered in reaching decisions on courses of action. The finding related to the College's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

JKB:RJM:BH:EFS:aa

SLCC2019

APPENDIX A: MANAGEMENT'S RESPONSE

December 16, 2019

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

RE: Possible Improper Payments to Employees
Dear Mr. Purpera:

South Louisiana Community College received a letter dated December 12, 2019 from Rebecca J. Marcantel, Audit Manager, requesting the college's views related to a reportable audit finding titled Possible Improper Payments to Employees.

The audit finding references that the College "...may have violated state law when it granted its employees one-time payments...." The request is for a response of concur, concur in part, or do not concur. SLCC does not concur due to the inconclusive nature of the finding and internal evaluations performed.

SLCC performed due diligence in developing a compensation plan for college employees while being cognizant of how such compensation plans impact the financial stability of the college. The compensation plan included permanent salary merits, along with one-time payments related to employee performance. A Reward and Recognition Policy was developed following the guidance of Attorney General Opinion No. 94-241 and SLCC completed the Attorney General's three-prong test in conjunction with Article VII, Section 14(A) as a result of the Cabela ruling. Based on the Attorney General guidance followed, SLCC's evaluation demonstrated that the payments were not gratuitous.

The Reward and Recognition Policy states that "Rewards should be given for significant outstanding performance that advances college goals and should be tied to specific accomplishments." As such, the policy allows for departmental and college-wide recognition as noted under the factual scenario considered by Attorney General Opinion No. 94-241. As in any instance of reward and recognition, documented goals were established and measured for the specified accomplishment.

South Louisiana Community College will take the Legislative Auditor's suggestion under consideration to obtain an additional Attorney General Opinion to distinguish the one-time reward from a prohibited bonus should the college consider one-time salary payments in the future.

Sincerely,



Bryan Glatter
Vice Chancellor of Administration and Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at South Louisiana Community College (College) for the period from July 1, 2018, through June 30, 2019, to provide assurances on financial information significant to the Louisiana Community and Technical College System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit Report of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated the College's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the College.
- Based on the documentation of the College's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinion on the System's financial statements.
- We performed procedures on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using the College's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the College's management for significant variances.

In addition, we performed procedures on movable property. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at the College and not to provide an opinion on the effectiveness of the College'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 purposes.

We did not audit or review the College's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. The College's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.