

SOUTH LOUISIANA COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JANUARY 10, 2018

**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.

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 \$0.45. 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.la.la.gov. When contacting the office, you may refer to Agency ID No. 6094 or Report ID No. 80170081 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 2018

Audit Control # 80170081

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2017, we performed procedures at the 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.

The College is a part of the System and reported an enrollment of more than 6,300 students for the Fall 2016 semester. The College's mission is to transform and enrich the lives of individuals and communities. The College commits to providing skills and knowledge through a dynamic learning environment where students realize their potential, compete in today's global economy, and perpetuate to solve the complex problems of tomorrow.

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 7, 2016. We determined that management has resolved the prior-year finding related to Inadequate Controls over the Reconciliation of Title IV Funds. The prior-year findings related to Inaccurate Reporting of Student Enrollment Status, Inadequate Controls over Return of Title IV Funds, Inadequate Administration over Federal Direct Student Loans Program, and Unlocated Movable Property have not been resolved and are addressed again in this letter.

Current-year Findings

Inaccurate Reporting of Student Enrollment Status

For the third consecutive year, the College did not accurately report changes in enrollment status for students who received Federal Direct Student Loan funds and Federal Pell Grant funds to the National Student Loan Data System (NSLDS) as required by federal regulations. Inaccurate reporting of changes in enrollment status may result in either the advance or delay of a student's grace period or obligation to begin or resume making scheduled loan payments, which could impair the federal government's ability to recoup loan funds from students and result in noncompliance with federal regulations. Additionally, inaccurate reporting can jeopardize a student's interest subsidy.

Audit procedures revealed that two (6.7%) of 30 students tested who had changes in enrollment status during the Spring 2017 semester were not accurately reported to NSLDS. Federal program regulations require the College to report the change in enrollment status for students who graduated, withdrew, never attended, or ceased to be enrolled on at least a half-time basis to NSLDS.

Management should identify all changes in enrollment status for students receiving Federal Direct Student Loan funds and Federal Pell Grant funds and accurately report the information to NSLDS. Management concurred with the finding and provided a corrective action plan (see Appendix A, page1).

Inadequate Controls over Return of Title IV Funds

For the third consecutive year, the College did not have adequate controls over federal Title IV funds when calculating the amount of funds to be returned to the U.S. Department of Education (USDOE). As a result, the College is in noncompliance with federal regulations and owes funds to the USDOE.

Audit procedures revealed that for three (10%) of 30 students tested, the College did not use the correct withdrawal date to calculate the amount of Title IV funds to be returned, resulting in an additional \$2,472 owed to the USDOE, which we consider to be questioned costs. The College used a different date of withdrawal in the calculation than that indicated as the last day of attendance in the College's records.

Management should strengthen controls to ensure the correct dates of withdrawal for return of funds are used according to federal regulations. Management should also determine if additional funds need to be returned to the USDOE. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 2-3).

Inadequate Administration over Federal Direct Student Loans Program

For the third consecutive year, the College did not ensure compliance with the Federal Direct Student Loans program regulations by properly calculating Direct Loan Funds awards. As a

result, students who were eligible for Direct Loan Funds may not have received the appropriate amount of subsidized and/or unsubsidized loans.

Audit procedures revealed that the College incorrectly awarded unsubsidized loans when the student was eligible to receive additional subsidized loan funds. We identified that five (13%) of 40 students tested were under awarded subsidized loans and over awarded unsubsidized loans totaling \$6,225. By having more unsubsidized loans, these students will pay more interest than if they had subsidized loans.

Management should strengthen procedures to accurately calculate Direct Loan awards. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

Unlocated Movable Property

For the second consecutive year, the College reported more than \$1.2 million of movable property that could not be located. The College's campuses submitted annual certifications of property inventory to the Louisiana Property Assistance Agency during fiscal year 2017 that reported unlocated movable property items totaling \$1,216,885, of which \$805,020 was for unlocated computers and computer-related equipment. Based on the property certifications, the College administers movable property totaling \$27,623,322.

Failure to adequately monitor, secure, and account for all movable property and locate those items for which there are no explanations available for their disappearance subjects the College's movable property to an increased risk of loss and/or unauthorized use and to noncompliance with state laws and regulations. Furthermore, because of the nature of services provided by the College, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Good internal control requires that adequate control procedures be in place to ensure that movable property is properly safeguarded against loss arising from unauthorized use or theft. Louisiana Administrative Code Title 34, Part VII, Section 313 states, in part, that agencies shall conduct a physical inventory annually and efforts must be made to locate all movable property for which there are no explanations available for their disappearance.

Management should improve controls over movable property by increasing its effort to make employees responsible and accountable for assigned property, emphasizing compliance with established policies, and devoting additional efforts to locating movable property previously reported as unlocated. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

Excess Cash for Federal Direct Student Loans Program

The College did not ensure compliance with the Federal Direct Student Loans program regulations regarding excess cash. Management did not have an adequate process in place to ensure excess cash balances are returned timely.

Audit procedures revealed that on June 1, 2017, the College drew down approximately \$45,000 of Federal Direct Loan funds that exceeded disbursements to students. In the following weeks, the College processed return of funds increasing the excess cash balance to approximately \$76,500 at June 30, 2017. The cash was held by the College longer than allowed by federal regulations.

Management should strengthen procedures to monitor cash balances and ensure excess cash remaining in its accounts is returned within the time requirements allowed by federal regulation. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 6).

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, 2017, 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, and Due from Federal Government

Liabilities - Accounts Payable and Accruals, and Unearned Revenues

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, Scholarship Allowances, and Federal Nonoperating Revenues

Expenses - Educational and General

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations. 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, 2017, 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.

Based on the results of these Single Audit procedures and based on other procedures performed to follow up on findings reported in the prior-year's management letter, we reported findings related to Inaccurate Reporting of Student Enrollment Status, Inadequate Controls over Return of Title IV Funds, Inadequate Administration over Federal Direct Student Loans Program, and Excess Cash for Federal Direct Student Loans Program. These findings will also be included in the Single Audit for the year ended June 30, 2017. In addition, the College's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, 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.

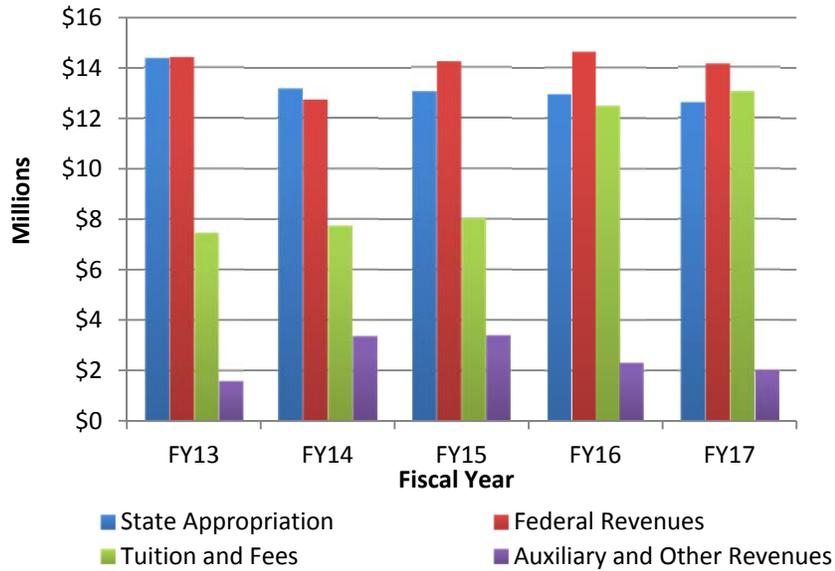
Based on the results of these procedures, we reported a finding related to unlocated movable property, as described previously.

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.

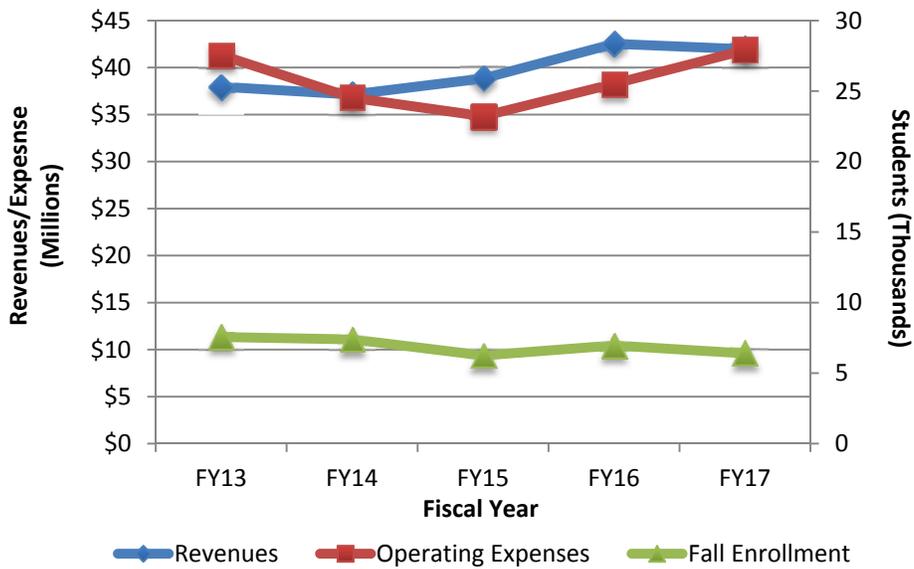
In analyzing the financial trends of the College over the past five fiscal years, state appropriations have decreased due to a decreasing budget statewide. Federal revenues increased slightly from 2014 to 2016 due to increases in Pell program funds and an increase in the number of students eligible for the program but decreased in 2017 due to a decrease in enrollment. In 2017, student services fee, Enterprise Resource Planning fee, and new excess credit hour fee that increased tuition and fees were offset by a decrease in enrollment. Operating expenses increased in 2017 due to increased pension expense recognized, additional funding for the Adult Education grant with related expenses, and technology fee expenses for the new Health and Sciences building.

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



Source: Fiscal Years 2013-2016 System Audit Reports; Fiscal Year 2017 College Annual Fiscal Report

Exhibit 2
Fiscal/Enrollment Trend Analysis, by Fiscal Year (FY)



Source: Fiscal Years 2013-2016 System Audit Reports; Fiscal Year 2017 College Annual Fiscal Report

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the College. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the College should be considered in reaching decisions on courses of action. The findings 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

RM:CR:BH:EFS:aa

SLCC 2017

APPENDIX A: MANAGEMENT'S RESPONSES



December 15, 2017

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

Re: Inaccurate Reporting of Student Enrollment Status

Mr. Purpera:

South Louisiana Community College has reviewed the audit finding, "Inaccurate Reporting of Student Enrollment Status". The College concurs that enrollment changes were reported inaccurately. The College has identified that there is an issue with the process utilized to report enrollment status for "graduates", via Banner upload. The process of reporting graduation statuses works ONLY if the SFAREGS record for the graduate is an exact match to the SHADEGR record, including both campus and catalog term. Unfortunately, the College did not know of this requirement until the audit finding was issued and the status conflict researched with NSLDS and LCTCS. Also, it was not understood that the graduate status is not issued from the graduate upload. It is from the enrollment report and the graduate record must be entered BEFORE the final enrollment submission of the semester. Any late completions will not be processed unless the final enrollment report is reissued.

Corrective Action:

- SLCC was following the LCTCS policy and instructions for recording and reporting graduates/completers, but the instructions are incomplete and will require updating to obtain compliance for future reporting. Until the LCTCS Policy and instructions for reporting enrollment and graduates are updated, effective immediately, the Registrar and Financial Aid offices have created a manual process for checking graduates in NSLDS.
- SLCC is currently working with the LCTCS to establish a system-wide update to the instruction for recording and reporting the graduate status to NSLDS.

Should you have any questions, please do not hesitate to contact me at (337) 521-8951, or Ms. Connie Chopin, at (337) 521-9027- Connie.Chopin@solacc.edu.

Sincerely,

Vincent G. June
Vice Chancellor for Student Services

Cc Dr. Natalie J. Harder, Chancellor
Ms. Connie Chopin, Registrar
Ms. Carla Ortego, SLCC Audit Coordinator



December 15, 2017

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

Re: Inadequate Controls over Return of Title IV Funds

Mr. Purpera:

South Louisiana Community College has reviewed the audit finding, "Inadequate Controls over Return of Title IV Funds". SLCC concurs with the finding addressing the conflict in the withdrawal date. The College has identified an error in the current technical script that is used to identify and post withdrawal dates for unofficial withdrawals. The three students from the student sample were unofficial withdrawals for the Spring 2017 term and were originally enrolled in multiple parts of term. One of the parts of term each student was listed as a "No Show" and instead of the system coding the unofficial withdrawal date as the "last day of attendance", it posted the No Show date. This created the inaccurate calculation for return of funds. The College is in the process of correcting the unofficial withdrawal date conflict with "No Show" courses, and each student's return of funds calculation is being corrected, as well as any unearned funds returned to the USDOE.

Corrective Actions: South Louisiana Community College is currently working with the LCTCS to correct the procedure in recording withdrawal dates for unofficial withdrawals.

Currently, Unofficial Withdrawal from the college process for attendance taking colleges works in this fashion:

1. Pulls the max last day of attendance for all classes.
2. If a last day of attendance is missing then it uses the activity date attached to the RSTS code (example of RSTS codes are WS, RE, **NS**, etc.)

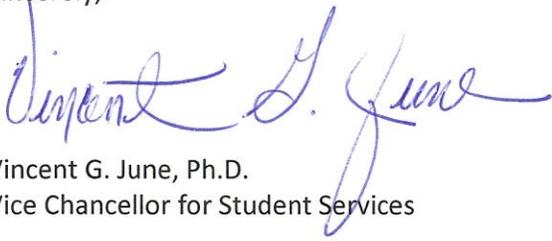
Anticipated future Unofficial Withdrawal from the college process for attendance:

1. Pulls the max last day of attendance for all classes.
2. If a last day of attendance does not exist for NS course(s), the system will post the max last day of attendance from all courses (minis) the NS Courses.

The College is reviewing all Unofficial Withdrawal calculations that concur with this unofficial withdrawal process with "No Show" courses.

Should you have any questions, please do not hesitate to contact me at (337) 521-8951, or Ms. Robin Winston, Director for Student Financial Aid, at (337) 521-9053 – Robin.Winston@solacc.edu.

Sincerely,

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

Vincent G. June, Ph.D.
Vice Chancellor for Student Services

Cc Dr. Natalie J. Harder, Chancellor
Ms. Robin Winston, Interim Director for Student Financial Aid
Ms. Carla Ortego, SLCC Audit Coordinator



December 15, 2017

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

Re: Inadequate Administration over Federal Direct Student Loans

Mr. Purpera:

South Louisiana Community College has reviewed the audit finding, "Inadequate Administration of Federal Direct Student Loans Program". The College concurs with the above finding and its corrective action plan for resolving the noncompliance status of the management the Federal Direct Student Loan program, which will be resolved. The calculations of one-term student loans will be corrected to ensure that the student's subsidized eligibility is utilized fully prior to any unsubsidized loan awards.

Corrective Action:

- The Financial Aid office has expanded the training for one-term loan requests to ensure that the student's subsidized eligibility is awarded to the students' annual limit, prior to unsubsidized eligibility being utilized.
- All one-term Fall 2017 Stafford Loans will be reviewed for accurate eligibility standards by January 31, 2018.

Should you have any questions, please do not hesitate to contact me at (337) 521-8951, or Ms. Robin Winston, Interim Director for Student Financial Aid, at (337) 521-9053 - Robin.Winston@solacc.edu.

Sincerely,

Vincent G. June, Ph.D.
Vice Chancellor for Student Services

Cc Dr. Natalie J. Harder, Chancellor
Ms. Robin Winston, Director for Student Financial Aid
Ms. Carla Ortego, SLCC Audit Coordinator



South Louisiana
Community College

Lafayette Campus

1101 Bertrand Drive
Lafayette, LA 70506
Phone: 337.521.9000

August 15, 2017

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

RE: Unlocated Movable Property

Dear Mr. Purpera:

The following response is in reference to the August 15, 2017 letter indicating an audit finding regarding unlocated movable property related to South Louisiana Community College.

The audit references that during fiscal year 2017, for the second consecutive year, the college reported nearly \$1.2 million of movable property that was not located. While the statement is technically accurate, the audit amount referenced contains historical data with a cumulative total from the past four (4) years which should be clarified. During fiscal year 2017, of the total inventory of \$27,632,322, the college's reportable current year total of property that was not located is only \$92,981 or 0.34%.

The Louisiana Administrative Code (LAC) Title 34 Part VII Section 313 does require conducting a physical inventory annually and is followed by the College. The College has eight (8) locations that each have their own independent annual inventory cycle as set by the Louisiana Property Assistance Agency. Additionally, the College makes every effort to locate all movable property for which there are no explanations available for their disappearance in accordance with LAC 34:VII.313.F.10. Items not located during inventory for which there is no explanation available is retained on inventory and placed in a suspense location for three years. During these three years, efforts continue to locate missing items. If items are relocated, the proper location is transmitted for inventory purposes. As such, the College has located 72% of the assets originally reported in FY 14, located 51% of the assets originally reported in FY 15, and has located 66% of the assets originally reported in FY 16 for a reduction of assets not located of \$801,792.

The College does agree that good internal control procedures are essential to adequately monitor, secure and account for all movable property. The assets noted above that were located, as well as the significant reduction of unlocated assets noted in fiscal year 2017, are the result of actions taken by South Louisiana Community College. These actions included the hiring of a new property director, adding the additional position to the department, and requiring that 100% property audits are completed by the college's Property Department rather than relying on multiple individuals who were entrusted with the property. Custody receipts have also been updated to ensure that each person to whom property is entrusted and receipted shall be liable for the payment of damages whenever wrongful or grossly negligent acts or omissions causes any loss, theft, disappearance, damage to or destruction of property of the college for which they are responsible.

In closing, the College would like to highlight the continuous improvements by noting the increase of located property from fiscal year 2015 of 96.27% to locating 99.66% of property for fiscal year 2017. The College will continue to work diligently toward our goal of identifying 100% of property.

Sincerely,

Bryan Glatter



December 15, 2017

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

Re: Excess Cash for Federal Direct Student Loan Programs

Mr. Purpera:

South Louisiana Community College has reviewed the audit finding, "Excess Cash for Federal Direct Student Loan Programs". The College agrees with the excess cash finding for the Federal Direct Student Loan Programs, as of June 1, 2017. On July 6, 2017 the excess cash was resolved.

Corrective Actions:

- The college will implement a process that will manage all Title IV funds cash management by Fiscal Year. Completion of all monthly reconciliation will determine the current fund requirements for the monthly expenditures of all Title IV funds. The G5 drawdown procedure will be modified to only draw funding for the current month transactions. This will incorporate a standard 10% draw-variance monthly, addressing the fluctuations in student enrollment and will minimize instances of excess cash.
- The College anticipates having all revised procedures in production by January 31, 2018.

Should you have any questions, please do not hesitate to contact me at (337) 521-8951, or Ms. Robin Winston, Director for Student Financial Aid, at (337) 521-9053 – Robin.Winston@solacc.edu.

Sincerely,

Vincent G. June, Ph.D.
Vice Chancellor for Student Services

Cc Dr. Natalie J. Harder, Chancellor
Ms. Robin Winston, Interim Director for Student Financial Aid
Ms. Carla Ortego, SLCC Audit Coordinator

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the South Louisiana Community College (College) for the period from July 1, 2016, through June 30, 2017, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2017.

- 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, 2017, as a part of the 2017 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.