

SOWELA TECHNICAL COMMUNITY COLLEGE

LOUISIANA COMMUNITY AND TECHNICAL  
COLLEGE SYSTEM  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 25, 2019

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## SOWELA Technical Community College

September 2019

Audit Control # 80190047

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### Introduction

The primary purpose of our procedures at the SOWELA Technical Community College (SOWELA) was to evaluate certain controls SOWELA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds.

### Results of Our Procedures

We evaluated SOWELA's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of SOWELA's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to student tuition and fee revenues, non-payroll expenses, payroll expenses, cash, reconciliation of Banner Student Module to Banner Finance Module, and information technology.

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### Current-report Findings

#### Inappropriate System Access

SOWELA did not maintain adequate controls over its Banner system that processes transactions and maintains data related to student records and registration, financial aid, human resources, payroll, and financial operations. Inadequate controls make the system vulnerable to improper transaction processing, unauthorized access, and/or unapproved changes. Procedures on access as of February 2019 revealed the following:

- Five employees had access to complete all human resource and payroll functions related to establishing an employee and processing payroll in the Banner system.
- Ten employees had access to various screens related to the finance module, student accounts receivable module, or human resources and payroll module without a business need. The access could allow these employees to perform one or more of the following functions: create or hire employees, enter and edit payroll deductions, enter and approve time, edit position budgets, create purchase

orders, receive goods, receive cash, change student account balances, or set course level fees outside of normal tuition and fees.

Good internal control requires SOWELA to restrict access to those functions necessary for its employees' job duties and ensure job functions and capabilities are properly segregated.

Management should restrict or closely monitor any access that is not properly segregated and timely remove unnecessary or inappropriate access. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, page 1).

### **Possible Improper One-Time Salary Supplement to Employees**

SOWELA may have violated state law when it granted 143 employees a \$1,500 one-time salary supplement as "a one-time monetary reward" in July 2018. The salary supplements paid to employees totaled \$214,500. In addition to the amounts paid to employees, SOWELA incurred related benefits expenses (e.g., retirement, health insurance, etc.) associated with the one-time supplements that totaled \$72,836. The total cost to SOWELA for these one-time salary supplements equaled \$287,336.

SOWELA established a Salary Study and Task Force in January of 2015. The stated purpose of the Salary Study and Task Force was to assist the college to move its employees to market-based salaries within three to four years. Salary adjustments were made prospectively during fiscal years 2016 and 2017. However, due to future budgetary uncertainty, SOWELA was unable to provide permanent adjustments in fiscal year 2018. Instead, SOWELA paid all full-time, permanent, unclassified employees a one-time, non-reoccurring payment described as "a one-time monetary reward that will be paid in addition to future permanent increases funded as part of the salary study."

Attorney General (AG) *Opinion No. 10-0299* notes that payments of additional compensation to public employees, in order to be constitutionally valid, must be in the form of prospective salary increases. *AG Opinion No. 15-0050* provides that in order to be legal, additional compensation must be in the form of salary increases for future services or for additional, unusual, or extraordinary duties, rather than extra compensation for services already rendered or not rendered at all. It appears, based upon the documentation provided by SOWELA management that the one-time salary supplement paid by the college constituted an impermissible gratuitous payment not in accordance with Article VII, Section 14 of the Louisiana Constitution.

Management should seek an opinion from the Attorney General to distinguish the one-time salary supplement given from prohibited gratuitous payments. Management partially concurred with the finding (See Appendix A, pages 2-3).

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## **Student Tuition and Fee Revenues**

We obtained an understanding of controls over student tuition and fee revenues and refunds. We verified that the tuition and fee rate schedules for the fall 2017 to spring 2019 semesters were in accordance with applicable laws and regulations. We performed procedures to ensure that refund table dates and percentages were accurate for a sample of 22 terms during the fall 2017 to spring 2019 semesters. A term is a length of time a standard course lasts. SOWELA offers multiple course terms per semester.

We tested a sample of 18 students who withdrew or dropped from a class during the fall 2017 to spring 2019 semesters. We verified there was sufficient support for the transaction and that the students were assessed the proper amount of tuition and fees and, when applicable, refunds were calculated in accordance with the refund policy.

Based on the results of our procedures, SOWELA had adequate controls in place to ensure that students were assessed the proper amount of tuition and fees and refunds were calculated in accordance with the refund policy.

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## **Non-payroll Expenses**

We obtained an understanding of controls over non-payroll expenses and we tested a sample of 15 vendor payments that occurred between July 1, 2017, and December 31, 2018, to ensure that proper segregation of duties were maintained while processing the transactions and that the transactions were adequately supported and complied with applicable laws and regulations. Based on the results of our procedures, except as noted in the Current-report Findings section, SOWELA had adequate controls in place to ensure proper segregation of duties were maintained, expenses were adequately supported and complied with applicable laws and regulations.

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## **Payroll Expenses**

We tested selected payroll transactions that occurred between July 1, 2018, and February 13, 2019, to ensure that employees were paid at the authorized rate and that retroactive and one time payments were properly authorized and paid. In addition, we reviewed retroactive payments that were allocated to the fiscal year ended June 30, 2018, and evaluated supporting documentation for one time payments made in July 2018. Based upon the results of our procedures, except as noted in the Current-report Findings section, SOWELA had adequate controls to ensure employees were paid at authorized rates.

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## **Cash**

We obtained an understanding of SOWELA's controls over cash collections and tested a sample of 15 daily deposits and four bank statements and bank reconciliations during the period from

July 2017 to December 2018. We reviewed bank statements and bank reconciliations for reasonableness, mathematical accuracy, and separation of preparer and reviewer/approver. Additionally, we ensured that daily deposits had adequate support, duties were segregated, and deposits were made timely. Based on the results of our procedures, except as noted in the Current-report Findings section, SOWELA had adequate controls in place to ensure proper segregation of duties were maintained, timely preparation, review, and approval of bank reconciliations were performed, and deposits were adequately supported and made timely.

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## **Reconciliation of Banner Student Module to Banner Finance Module**

SOWELA uses the Student Module in their Banner Enterprise Resource Planning System to process and record revenue transactions. The transactions from the Student Module are posted in batches to the Finance Module. We performed procedures to evaluate the reconciliation of the two modules for four months selected during the period July 2017 to December 2018. Based on the results of our procedures, SOWELA had adequate controls in place to ensure timely and accurate preparation of reconciliations between the two Banner Modules.

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## **Information Technology**

We obtained an understanding of controls as it relates to SOWELA'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 SOWELA maintained proper segregation of duties within the system and assigned access on a business need basis for key forms related to the procurement, payroll, and student processes. Based upon the results of our procedures, SOWELA did not maintain adequate controls to ensure proper segregation of duties within the system, and access was assigned on a business need basis (see Current-report Findings).

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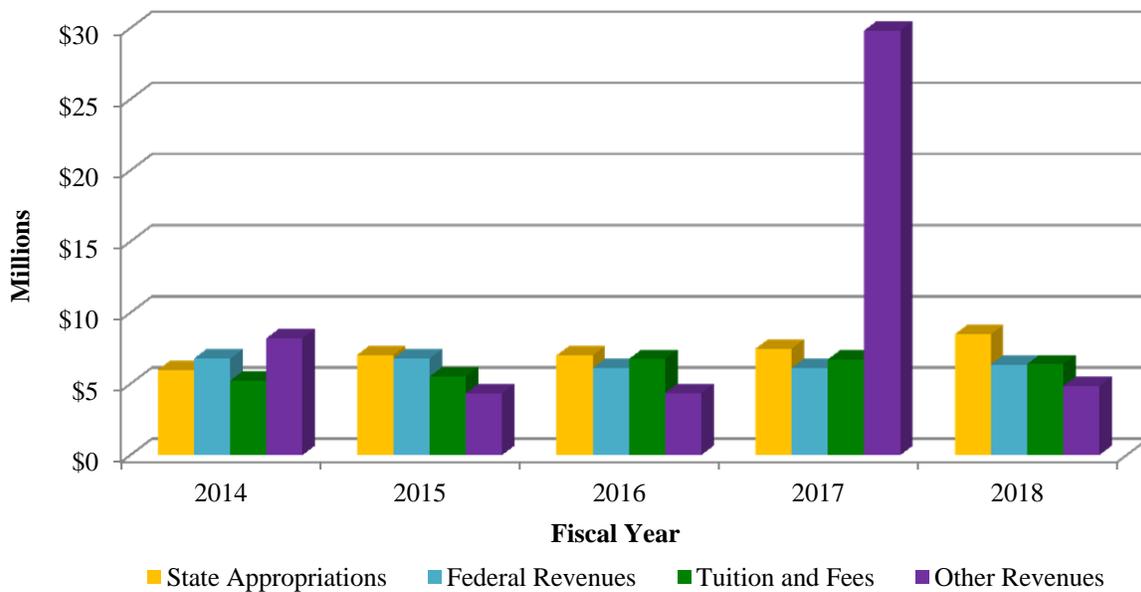
## **Trend Analysis**

We compared the most current and prior-year financial activity using SOWELA's annual fiscal reports and/or system-generated reports and obtained explanations from management for any 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 SOWELA over the past five fiscal years, student tuition and fees and federal revenues have remained relatively consistent. Enrollment has also remained relatively consistent, with the exception of a drop in fiscal year 2017 related to a decrease in dual enrollment students. State appropriations are increasing as a result of the Louisiana Community and Technical College System (LCTCS) applying an allocation formula that has benefitted SOWELA. Other revenue has remained relatively consistent except in fiscal year 2017, when

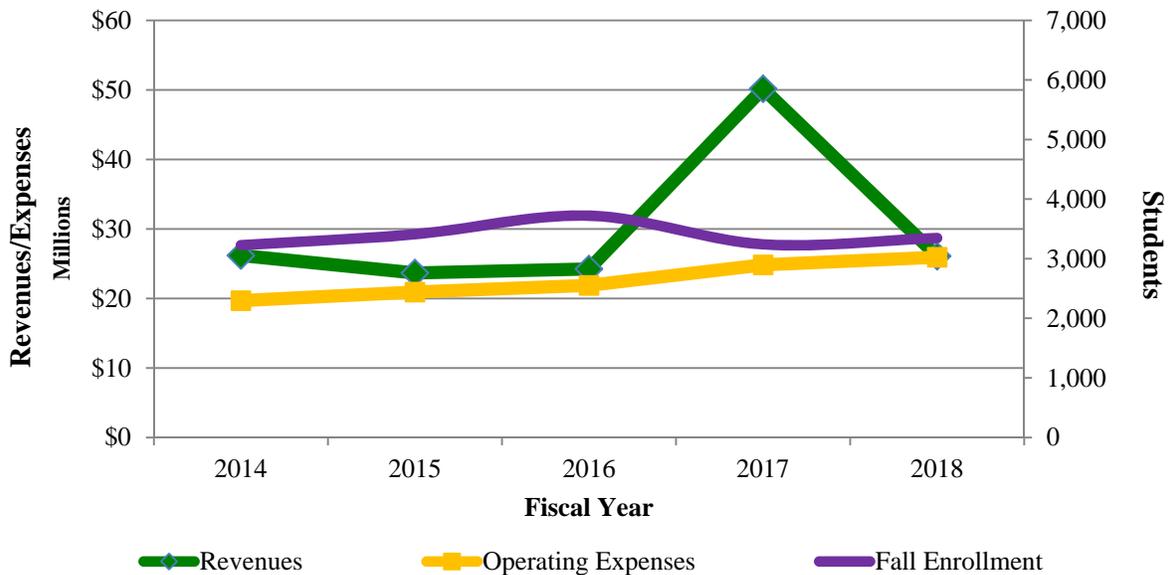
revenues increased as the result of capital grants and capital appropriations related to the new Regional Training Center Building and the new building at the Morgan Smith instructional site in Jennings. Operating expenses increased in fiscal year 2017 due to increases in pension expense recognized and in fiscal year 2018 due to additional costs and depreciation related to the two new buildings.

**Exhibit 1: Five-Year Revenue Trend**



Source: LCTCS Audit Reports

**Exhibit 2: Fiscal/Enrollment Trends**



Source: LCTCS Audit Reports and Board of Regents enrollment data

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 written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

RE:RM:BH:EFS:aa

SOWELA 2019

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





OFFICE OF THE CHANCELLOR



Explore.  
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June 26, 2019

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

Re: Inappropriate System Access

SOWELA Technical Community College (SOWELA) has reviewed the aforementioned finding, Inappropriate System Access, and concurs that the College did not maintain adequate controls over its Banner Enterprise Resource Planning system in regards to system access.

SOWELA has performed a thorough analysis of all Banner system access and removed any unnecessary or inappropriate access as of the date of this response. While some inappropriate and incompatible access did occur, mitigating controls are in place that would have identified if any conflicting or inappropriate functions had been performed by an employee. There were no instances of inappropriate functions being performed.

All new access requests are closely monitored to ensure proper segregation of duties and appropriateness based on job duties. Procedures are currently in place to review Banner user access lists monthly to ensure access is appropriate. Any questionable access will be investigated and addressed promptly.

Should you have any questions regarding this matter, please contact Jeanine Newman, Vice Chancellor for Finance, at [jeanine.newman@sowela.edu](mailto:jeanine.newman@sowela.edu) or (337) 421-6915.

Sincerely,

Dr. Neil Aspinwall  
Chancellor

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September 11, 2019

**RE: Possible Improper One-Time Salary Supplement to Employees**

**College Response and Corrective Action Plan:**

In the absence of any clear guidance or documentation standards, we partially concur with this finding that we should have further documented the College's obligations to our employees using more explicit language and documentation to ensure there was no confusion about the intent and purpose of the payments in question.

As stated in the finding, SOWELA has for several years made a firm commitment to our employees to provide market-based salaries while addressing pay equity issues. In 2015, a task force was commissioned, an in-depth salary study was conducted, a plan was developed, and the College was able to provide permanent increases within the constraints of our budget. At their September 20, 2017, meeting, the Louisiana Community and Technical College System (LCTCS) Board of Supervisors approved a *Resolution to Urge and Request LCTCS Colleges and the Board Office to Provide Salary Merit Adjustments to Faculty and Staff*. The Board Office requested that all constituent colleges in the LCTCS develop and submit a plan that promoted the spirit of the resolution. Mentioned in this resolution, was the extraordinary work the LCTCS colleges had done toward the goals of "Our Louisiana 2020: Building the Workforce of Tomorrow" and other innovative initiatives.

The plan submitted by SOWELA in response to this board resolution included the establishment of a Salary Adjustment Pool for 2018 in an amount of up to 5% of the permanent personnel base. Increases under this plan were to be implemented in the fourth quarter of the fiscal year, based on projected budget availability. The approximately \$430,000 in funds that comprised the Salary Adjustment Pool were budgeted in central budget "set-aside" accounts so that they would be available when the plan was implemented. During the regular and special legislative sessions of 2018, the State was grappling with significant revenue shortfalls and serious budget challenges. As late as the middle of June of 2018, the College was preparing budget scenarios and plans in response to anticipated budget reductions. Given the uncertainty regarding the 2018-2019 budget situation, the College leadership determined we could not prudently commit to the continuing obligation associated with the implementation of permanent budget increases and instead provided one-time salary payments to honor the commitment that had been made to

Mr. Daryl Purpera  
September 11, 2019  
Page Two

employees and in the spirit of the board resolution. These payments were made using the funds that had been set aside for the Salary Adjustment Pool. The ongoing, phased salary project was to continue when the State's and the College's budget situation improved.

SOWELA did not consider these payments to be gratuitous payments as they were provided to employees as part of a multi-year compensation plan that was in the process of implementation and as an incentive for continued performance towards Our Louisiana 2020 goals. At the time, it was determined to be the best course of action, allowing the College to adhere to its planned commitment to the SOWELA employees who are directly responsible for the College's success in fulfilling its mission of serving the educational and workforce needs of the Southwest Louisiana region.

**Corrective Action Plan:** The College has not provided any one-time payments since the payments were made in July of 2018 and has no plans to do so again. Should the College consider one-time salary payments in the future, we will exercise care to document more thoroughly and clearly the obligation of the College to provide the payments, alleviating the possibility of a conclusion that such payments are gratuitous in nature. If there is uncertainty as to whether such payments could be considered gratuitous payments, we will seek an opinion of the Attorney General in advance of providing such payments to employees.

Should you have any questions, please do not hesitate to contact me at (337) 421-6915.

Sincerely,

  
Jeanine Newman, CPA  
Vice Chancellor for Finance



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the SOWELA Technical Community College (SOWELA) for the period from July 1, 2017, through June 30, 2019. Our objective was to evaluate certain controls SOWELA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide 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 SOWELA's Annual Fiscal Reports, and accordingly, we do not express opinions on those reports. SOWELA is part of the Louisiana Community and Technical College System, which is an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

- We evaluated SOWELA'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 SOWELA.
- Based on the documentation of SOWELA's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to student tuition and fee revenues, non-payroll expenses, payroll expenses, cash, reconciliation of Banner Student Module to Banner Finance Module, and information technology.
- We compared the most current and prior-year financial activity using SOWELA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from SOWELA's management for any significant variances that could potentially indicate areas of risk.

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