

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 26, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Baton Rouge Community College



December 2019

Audit Control # 80190103

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) for the fiscal year ended June 30, 2019, we performed procedures at the Baton Rouge 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.

Results of Our Procedures

Current-year Findings

Lack of Controls over Payroll

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

Numerous College 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 22 employees holding 32 positions for two pay periods, the following was identified as of November 1, 2019:

- Of 22 employees tested for accurate payment calculations, one (5%) was overpaid by \$1,056 due to an incorrect salary calculation and payment for hours not worked. In addition, one (5%) was underpaid by \$16 due to the hourly rate being erroneously changed in the payroll system.
- One (10%) of 10 adjunct agreements was not approved by the appointing authority.
- One (5%) of 21 time sheets and the related leave slip was approved by the supervisor 202 days after the check date. As a result, the employee was erroneously paid for 80 hours worked instead of 80 hours of leave. In addition,

one (5%) of 21 timesheets was approved by the supervisor 195 days after the check date.

- One (9%) of 11 leave slips was not entered into the payroll system.
- One (9%) of 11 leave slips granted an hour of education leave in excess of the three hours allowed by the Louisiana Community and Technical College System policy.

In a separate test of payroll corrections, the following was identified:

- One employee was overpaid by \$2,480 for hours not worked. In addition, their applicable part-time agreement was approved by the appointing authority 64 days after the effective date.
- One employee was overpaid by \$258 for hours not worked.

In a separate test of overtime payments, we noted that two employees were overpaid by \$119, and one employee was underpaid by \$60. The errors were due to incorrect overtime compensation rates entered into the payroll system.

Good internal control requires that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees and leave taken. In addition, good internal controls require that College management have procedures to ensure accurate information is entered in the payroll system. College management represented that the inadequate controls resulted from turnover of key management personnel within the Human Resources department and incorrect data entry into the payroll system.

College management should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees and leave taken. In addition, College management should implement procedures to ensure accurate information is entered into the payroll system, and ensure overpayments are recouped and underpayments are resolved. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Failure to Make Proper Notifications of Misappropriated Assets

The College failed to notify the Louisiana Legislative Auditor (LLA) and the parish district attorney (DA) of certain suspected misappropriations of assets as required by Louisiana Revised Statute (R.S.) 24:523. College management had knowledge of suspected misappropriations as early as February 2019 that were not reported until September 2019, after specific inquiry by the auditors. Failure to make proper notifications places the College in noncompliance with state law, impairs a timely response to control weaknesses by the auditor, and could delay the potential prosecution of guilty parties.

R.S. 24:523 states, in part, “An agency head of an auditee who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of the public funds or assets of

his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation.” Per the College, these issues were reported to the federal grantor and the College incorrectly believed the suspected misappropriations were not to be reported to other agencies.

College management should immediately report any suspected misappropriation of public funds or assets of the College, in writing, to the LLA and DA in accordance with state law. College management did not concur with the finding and stated in its response that “...the college does not have ‘actual knowledge of or reasonable cause’ to believe that there was a misappropriation of public funds or assets of BRCC” (see Appendix A, pages 2-4).

Additional Comments: The information the College reported to the U.S. Department of Education, Office of the Inspector General, provided “reasonable cause” to suspect a misappropriation that warranted reporting to the LLA and DA.

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, Receivables resulting from tuition and fees, Due from Federal Government, and Capital Assets

Liabilities - Accounts Payable and Accrued Liabilities, 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 net of Scholarship Allowances, and Federal Nonoperating Revenues

Expenses - Educational and General

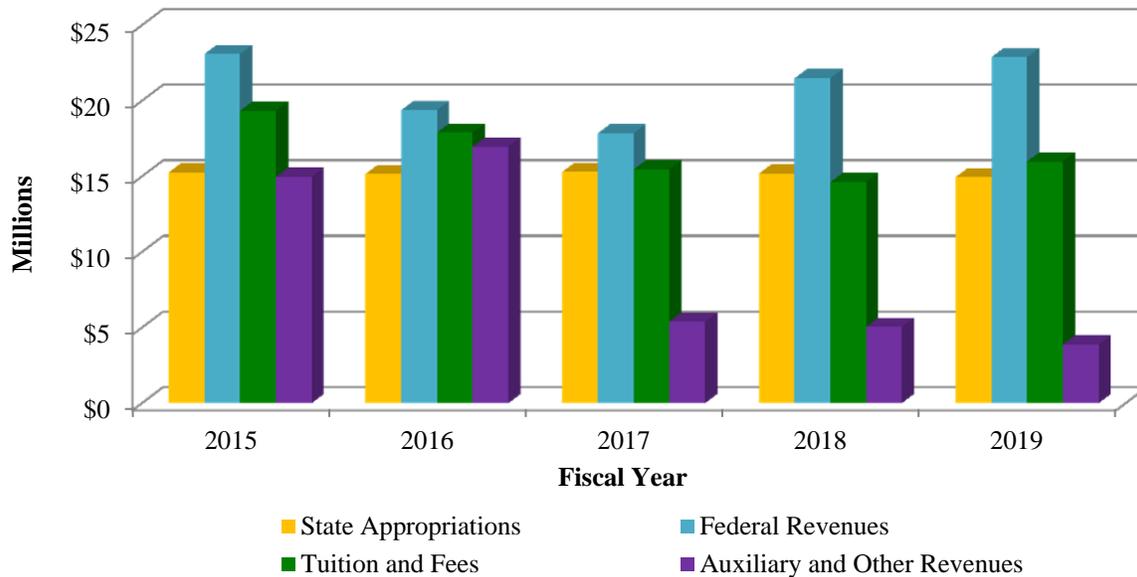
Based on the results of these procedures on the financial statements, we reported findings related to Lack of Controls over Payroll and Failure to Make Proper Notifications of Misappropriated Assets, as described previously. In addition, the account balances and classes of transactions tested are materially correct.

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.

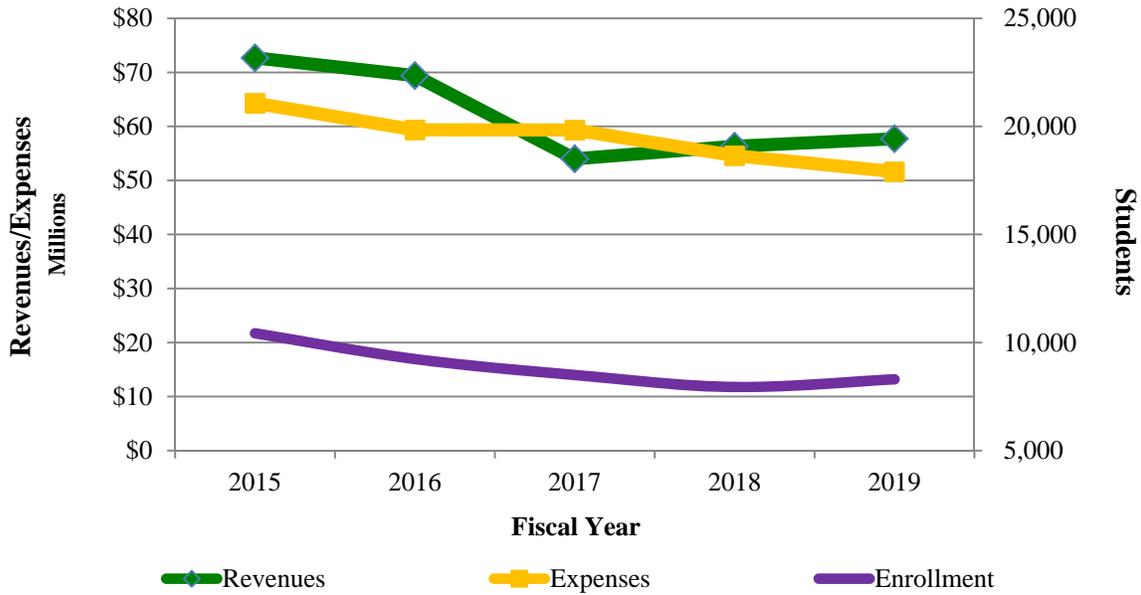
In analyzing the financial trends of the College over the past five fiscal years, we found that since fiscal year 2015 state appropriations have decreased approximately 2%. Tuition and fee revenues have decreased 17%. The decrease in tuition and fee revenues is mainly attributed to a decrease in student enrollment due to the August 2016 flooding impacting the region of the students served by the College and the discontinuation of the Aviation program.

Exhibit 1
Five-year Revenue Trend



Source: Fiscal Year 2015-2019 College Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Year 2015-2019 College Annual Fiscal Reports, as adjusted, and Board of Regents website

The recommendations in this letter represent, in our judgment, those which will most likely 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 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,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

KDN:CLL:BQD:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSES



201 Community College Drive Baton Rouge, Louisiana 70806

December 18, 2019

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Lack of Controls over Payroll." The College understands the importance of maintaining good payroll controls and is committed to obtaining and maintaining that standard.

Going forward, the new Chief Human Resources Officer (CHRO) will institute an internal auditing practice of each payroll cycle before payroll is finalized. In addition, the CHRO will implement a cross-training initiative including the development of Standard Operating Procedures (SOPs) for staff to ensure continuity of procedurally-correct operations.

In summary, we acknowledge a past issue with maintaining adequate payroll controls. The Human Resources Department will complete implementation of the cross-training initiative to minimize/eliminate these issues by March 31, 2020. The CHRO, Annette Arboneaux, will be responsible for ensuring that corrective actions described above are completed and that payroll controls are adequately maintained in perpetuity.

Respectfully,

A handwritten signature in blue ink, appearing to read "Willie E. Smith, Sr.", is written over a horizontal line.

Willie E. Smith, Sr., Ed.D.
Interim Chancellor



201 Community College Drive Baton Rouge, Louisiana 70806

December 3, 2019

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The Management of Baton Rouge Community College (BRCC) does not concur with the recent finding related to "Failure to Make Proper Notification of Misappropriated Assets" and submits the following official response.

We disagree with the interpretation and application of Louisiana Revised Statute (R.S 24:523) on which the finding is based. The Statute reads:

"An agency head of an auditee who has actual knowledge of or reasonable cause to believe there has been a misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation"

The college does not concur with the finding as the college does not have "actual knowledge of or reasonable cause" to believe that there was a misappropriation of public funds or assets of BRCC. The college, when informed of alleged unusual behavior involving potential recipients of Title IV funding, followed the regulations set forth in the *Federal Student Aid (FSA) Handbook*, "Volume 4 Processing Aid and Managing FSA Funds" in which an institution is repeatedly directed to submit any suspicious activity to the Office of the Inspector General (OIG) general Hotline. As of December 3, 2019 no reported incident by the college has yielded a misappropriation of state or public assets. A monetary infraction has not been determined and liability to the college has not been verified. In addition, no reported unusual behavior has resulted in a response from the federal government that they have concluded an investigation. The college was not informed to stop or discontinue any transactions with any identified persons, students, or employees.

The unusual behavior appropriately reported by the college does not constitute belief that funds have been misappropriated and according to "The Louisiana Governmental Audit Guide" (<https://www.lla.la.gov/lagag.nsf/bdcb79123307274c8625813000748590/00b55c7b2daf5867862580d400715208?OpenDocument>) if an "agency head [is] not 100% sure that a misappropriation has occurred" it is recommended and not required that the "agency head make the notification as soon as they believe that a misappropriation of public funds may have occurred." As previously stated, the conclusion of any investigated behavior has not been disclosed to the college and therefore the college does not have knowledge of misappropriated funds or assets.

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Mr. Purpera
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Within the finding letter the auditor stated that “BRCC management had knowledge of suspected misappropriations as early as February 2019 that was not reported until September 2019, after specific inquiry by the auditors.” This statement is inaccurate. The reports of unusual behavior, appropriately submitted via the OIG hotline at the times of the occurrences, were summarized in a June 2019 e-mail to the internal auditors. This summary email came as a response to guidance from the Louisiana Community and Technical College System (LCTCS). Prior to May 2019, BRCC had been reporting matters related to financial aid directly to the OIG per the training provided by the Department of Education and outlined in the *FSA Handbook*. After the college received additional guidance from the Louisiana Community and Technical College System (LCTCS), BRCC began to report the matters to the LCTCS internal auditor who then reported the matters directly to the Legislative Auditor and the appropriate parish District Attorney.

As a condition of receipt of Federal Title IV funds, the college is a party to a Program Participation Agreement with the Secretary of the U.S. Dept. of Education. That agreement states, “Cause for revocation [of the Program Participation Agreement] may include, but is not limited to, a failure to comply with any provision set forth in this Agreement ...” The Agreement further provides:

“The Institution understands and agrees that it is subject to and will comply with the program statutes and implementing regulations for institutional eligibility as set forth in 34 C.F.R. Part 600 and for each Title IV, HEA program in which it participates, as well as the general provisions set forth in Part F and Part G of Title IV of the HEA, and the Student Assistance General Provisions regulations set forth in 34 C.F.R. Part 668.”

Included within these provisions is 34 C.F.R. §668.24(f)(1), which provides, in pertinent part:

“An institution that participates in any title IV, HEA program...shall cooperate with an independent auditor, the Secretary, the Department of Education’s Inspector General, the Comptroller General of the United States, or their authorized representatives, a guaranty agency in whose program the institution participates, and the institution’s accrediting agency, in the conduct of audits, investigations, program reviews, or other reviews authorized by law.”

Having received instruction from the federal investigating agency, the USDOE Office of Inspector General, the college communicated information to the OIG only, and because the Program Participation Agreement and federal regulations governing the college’s administration of federal Title IV funding require cooperation with the OIG’s investigation, the college complied with the OIG directive

In the finding letter the auditor also stated, “Failure to make proper notifications places BRCC in non-compliance with state law, impairs a timely response to control weaknesses by the auditor, and could delay prosecution of guilty parties.” Throughout this audit cycle the auditor has not identified to BRCC where the college has “impaired” a timely response to control weaknesses as it relates to the Federal Title IV financial aid program at BRCC. The college has appropriately administered, applied, and awarded financial aid to individual students who meet program requirements as set forth by USDOE federal regulations, LCTCS, and BRCC policies. Furthermore, the college has been in complete cooperation with the federal agencies who are performing on-going investigation of individual citizens who are suspected of violating federal USDOE laws and regulations. The college has promptly responded to all requests and submitted all requested documentation to the investigators. BRCC has not delayed the potential prosecution of guilty parties, as the investigation is still on-going.

Going forward, BRCC will continue to ensure the Legislative Auditor and District Attorney are promptly notified of known misappropriations or if there’s reasonable cause, as defined by the statute, of

December 3, 2019

Mr. Purpera

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misappropriated assets. The Vice Chancellor of Finance will be responsible for ensuring misappropriations are promptly reported.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Willie E. Smith, Sr.', with a long horizontal line extending to the right.

Willie E. Smith, Sr., Ed.D.
Interim Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Baton Rouge 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 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 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.

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.