

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE
SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED FEBRUARY 23, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

SOWELA Technical Community College



February 2022

Audit Control # 80210015

Introduction

As a part of our audit of the Louisiana Community and Technical College System (System) and our work related to the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2021, we performed procedures at the SOWELA Technical Community College (SOWELA) to provide assurances on financial information that is significant to the System’s financial statements; evaluate the effectiveness of SOWELA’s internal controls over financial reporting and compliance; and determine whether SOWELA complied with applicable laws and regulations. We also performed procedures for the period July 1, 2019, through June 30, 2020, to evaluate certain internal controls SOWELA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken actions to correct the findings reported in the prior report.

Results of Our Procedures

Follow-up on Prior-report Findings

Our auditors reviewed the status of the prior-report findings presented in the SOWELA procedural report dated September 25, 2019. We determined that management has resolved the prior-report finding related to Inappropriate System Access. We performed procedures on payroll transactions that occurred between July 1, 2019 and December 31, 2020 related to the prior-report finding titled Possible Improper One-Time Salary Supplement to Employees and determined that all payments were properly authorized, supported, and paid.

Current-year Finding

Untimely Termination of System Access

SOWELA failed to timely terminate employee access to the Banner system. Untimely termination of system access increases the risk of errors or fraud.

In a review of employees terminated in fiscal year 2020 as of March 9, 2020, and fiscal year 2021 as of May 24, 2021, 10 (29%) of 34 terminated employees did not have Banner access timely

removed. Delays in removal of access ranged from four to 58 days after the employee's last date of employment, with an average delay of 19 days.

Good internal control requires removal of access on the same day or before a user's job termination is effective. Management represented that SOWELA personnel delayed applying termination dates in Banner under the false belief that doing so would prevent the employee's final paycheck from being processed; thus, user accounts were not automatically locked when the employee separated from employment.

Management should ensure the removal of employee access to the Banner system immediately upon separation. Management concurred with the finding and outlined a plan of corrective action (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, 2021, we considered SOWELA's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

Expenses - Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Untimely Termination of System Access, as described previously. In addition, the account balances and classes of transactions tested were materially correct.

Other Procedures

In addition to the System procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing SOWELA's internal control and compliance with related laws and regulations over movable property, bank reconciliations, payroll expenses, and Higher Education Emergency Relief Funds.

Movable Property

We reviewed the annual property certifications submitted by SOWELA to the Louisiana Property Assistance Agency and obtained management explanations for variances. We noted that the annual certifications reported unlocated movable property items for the current and previous three fiscal years totaling approximately \$630,000 for fiscal year 2020 and \$1.3 million for fiscal year 2021. The 2021 annual inventory was based on inventory records from January 2021, after Hurricanes Laura and Delta. Property could not be located because buildings and the property within them were destroyed. SOWELA is currently trying to catalog the losses.

Bank Reconciliations

We reviewed the bank reconciliations for all bank accounts for two haphazardly-selected months between July 1, 2019, and June 30, 2021. We reviewed whether each reconciliation was prepared and reviewed, that the bank balances and general ledger balances agreed to the bank statements and accounting system respectively, the reconciliation was mathematically accurate, and reconciling items were reasonable. Based on the results of our procedures, SOWELA had adequate controls in place to ensure timely preparation, review and approval of bank reconciliations.

Payroll Expenses

We tested selected payroll transactions that occurred between July 1, 2019, and December 31, 2020, to ensure that employees were paid at the authorized rate and that retroactive and one-time payments were properly authorized and paid. Based on the results of our procedures, SOWELA had adequate controls to ensure employees' authorized rates were properly supported and paid.

Higher Education Emergency Relief Funds (HEERF)

We performed procedures to gain an understanding of the controls related to the expenditure of HEERF grant funds as of December 31, 2020. As of this date, SOWELA expended HEERF student and institutional funds. Based on our understanding of SOWELA's criteria applied and a review of expense categories charged to the HEERF grant, expenditures appear to be consistent with applicable grant requirements.

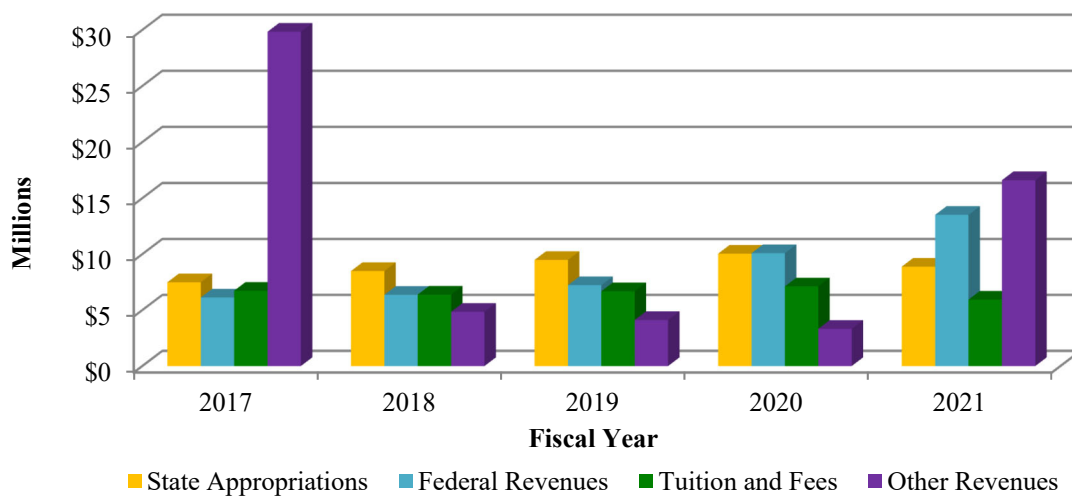
Based on the results of these procedures performed, we did not report any findings.

Trend Analysis

We compared the most current and prior-year financial activity using SOWELA's Annual Fiscal Reports and/or system-generated reports and obtained explanations from SOWELA'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.

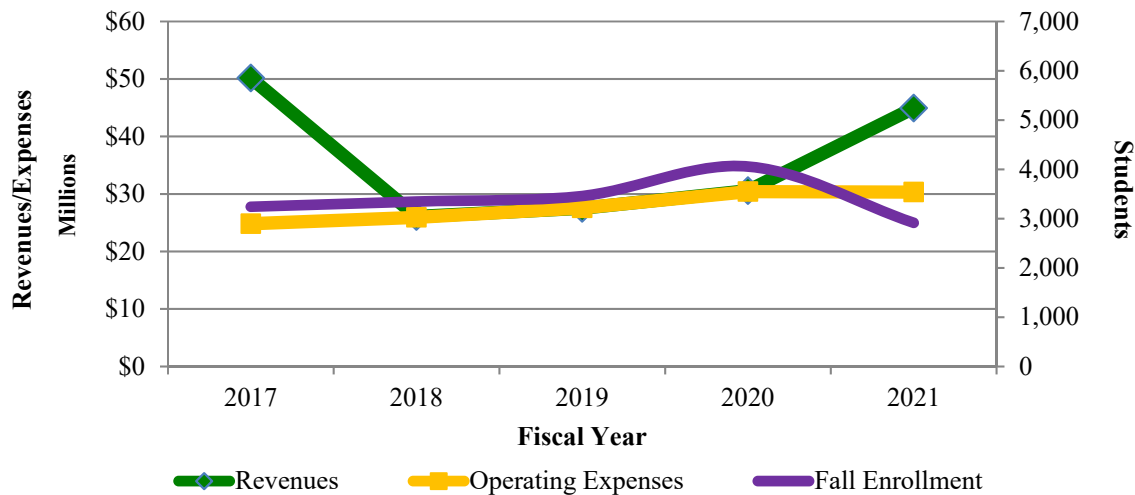
In analyzing financial trends of SOWELA over the past five fiscal years, student tuition and fees were consistent from fiscal year 2017 to fiscal year 2020, then sharply declined in fiscal year 2021 due to decreased enrollment related to COVID. Federal revenues increased in recent years due to additional federal non-operating revenue in response to COVID. 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, and fiscal year 2021, when revenues increased as the result of a large gain on impairments from Hurricanes Laura and Delta. Operating expenses have gradually increased over the last five fiscal years.

**Exhibit 1
Five-Year Revenue Trend**



Source: LCTCS Audit Reports and SOWELA Annual Fiscal Reports

**Exhibit 2
Fiscal/Enrollment Trends**



Source: LCTCS Audit Reports, SOWELA Annual Fiscal Reports, and Board of Regents enrollment data

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of SOWELA. The nature of the recommendation, its implementation costs, and its potential impact on the operations of SOWELA should be considered in reaching decisions on courses of action.

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, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

RCE:RJM:BH:EFS:aa

SOWELA2021

APPENDIX A: MANAGEMENT'S RESPONSE

February 1, 2022

Mr. Michael J. “Mike” Waguespack, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Finding: Untimely Termination of System Access

Management Response to Finding: SOWELA Technical Community College (SOWELA) has reviewed this finding and concurs that the College did not consistently remove employee access to the Banner system immediately upon separation. Management also recognizes the importance of timely termination of access and concurs with the recommendation that SOWELA should “ensure the removal of employee access to the Banner system immediately upon separation.”

SOWELA personnel had been delaying application of termination dates in Banner so that the employee would remain active and allow the Office of Human Resources to process final payment. This delay resulted in instances of untimely termination of Banner access. SOWELA is now aware that this delay is not necessary as entry of the termination date does not result in the employee status changing from active to terminated. The Offices of Information Technology, Human Resources, and Finance collaborated to review the current process and workflow and with the support of personnel at the Louisiana Community and Technical College System Board Office (LCTCS), implemented the following corrective actions that we believe will ensure timely termination of employee access.

Management’s proposed corrective action: Continuation of some existing procedures, along with new and revised procedures, are in place to ensure that access to Banner is terminated immediately upon employee termination. These procedures include:

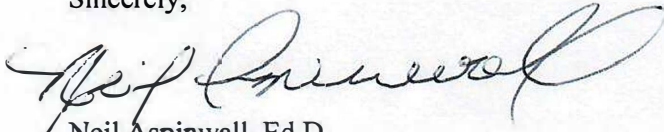
- The Office of Human Resources (HR) is now consistently entering the termination date and reason in Banner upon notification of separation or planned separation.
- Upon notification of a termination, HR submits a form to the Office of Information Technology (IT) which requests that they remove access immediately after the termination date. To ensure these requests can easily be recognized as Banner access termination requests, rather than new employee access requests, a separate termination form was developed and is being used. This form alerts IT staff that the termination request is time sensitive and requires immediate attention. Upon the date of termination, IT removes the ability to log in to Banner. An automated workflow from LCTCS will remove remaining access, as described below.

- The entry of the employee's termination date in Banner generates LCTCS IT email workflows and processes that have been in place for several years. An email alert goes to appropriate staff when the termination date is entered in Banner notifying them of the termination. Once the actual termination date arrives, a nightly process runs that cuts off Application Navigator security for the employee. After the employee's final paycheck has been processed, the employee status changes from Active to Terminated and a second email alert goes out notifying appropriate employees of the termination that has occurred. A process is generated that cuts off security for all Banner and related applications. This process serves as a secondary check to ensure no terminations have been missed by SOWELA.
- An exception report has been created to identify employees with a PEAEMPL termination date whose Application Navigator account is not locked. This report also includes the job end date and other data to identify issues with inappropriate access. The report is scheduled to be generated and emailed to certain SOWELA HR employees daily for their review and follow up as appropriate.

SOWELA will continue to analyze and make improvements to these processes as needed to ensure that all access is terminated in a timely manner.

Should you have any questions regarding this matter, please contact Lindsey Reppond, Interim Vice Chancellor for Finance, at lindsey.reppond@sowela.edu or (337) 421-6917.

Sincerely,



Neil Aspinwall, Ed.D.
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the SOWELA Technical Community College (SOWELA) for the period from July 1, 2020, through June 30, 2021, 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 our work related to the Single Audit of the State of Louisiana for the year ended June 30, 2021.

In addition, we conducted certain procedures at SOWELA for the period from July 1, 2019, through June 30, 2020. Our objective was to evaluate certain controls SOWELA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. 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.

- We evaluated SOWELA'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 SOWELA.
- Based on the documentation of SOWELA'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 SOWELA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from SOWELA's management for significant variances.

In addition, we performed procedures on movable property, bank reconciliations, payroll expenses, and Higher Education Emergency Relief Funds. 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 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 purposes.

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