

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL
COLLEGE SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 26, 2013

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

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DARYL G. PURPERA, CPA, CFE

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 19, 2013

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana Community and Technical College System's (System) financial statements for the fiscal year ended June 30, 2013, we conducted certain procedures at Baton Rouge Community College (BRCC) for the period from July 1, 2011, through June 30, 2013.

- Our auditors obtained and documented an understanding of BRCC'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 BRCC.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using BRCC's annual fiscal reports and/or system-generated reports and obtained explanations from BRCC management for any significant variances. We also analyzed BRCC's revenues, expenses, enrollment, and completers over the last five years for informational purposes.
- Our auditors reviewed the status of the findings identified in the prior audit management letter, dated December 14, 2011. The prior year findings relating to misappropriations not reported, inadequate controls over movable property, and noncompliance with hardship waivers' requirements have been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting BRCC's account balances and classes of transactions material to the System's financial statements as follows:

Statement of Net Position - Cash and cash equivalents, receivables, accounts payable and accruals, unearned revenues, and net position

Statement of Revenues, Expenses, and Changes in Net Position - Student tuition and fees, scholarship allowances, federal nonoperating revenues, and educational and general expenses

We also tested BRCC's compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2013, in accordance with *Government Auditing Standards*.

The Annual Fiscal Report of BRCC was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. BRCC's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration.

Inadequate Controls over Faculty Payments and Recoupments

BRCC overpaid 95 faculty employees over \$500,000 and has not established proper monitoring over the recoupment process for these overpayments.

BRCC management identified the following errors resulting in net overpayments totaling \$501,531:

- For the 2011-2012 academic year, 93 faculty were overpaid a total of \$492,933, with individual overpayments ranging from \$1,098 to \$7,114, and two faculty were underpaid a total of \$1,558. These errors were the result of an erroneous manual calculation of the amount of earned payroll to be deferred for payment in future periods for nine-month faculty that elected to receive their salaries over twelve months.
- For the 2012 summer semester, 12 faculty were overpaid a total of \$13,300, with individual overpayments ranging from \$500 to \$2,700, and three faculty were underpaid \$3,144. These errors occurred because incorrect contract end dates were entered in the payroll system.

In addition to the above errors identified by BRCC management, we identified an additional \$1,114 in net underpayments to five faculty employees during the Fall 2011 and Spring 2012 academic years on their contracts for teaching additional classes (overload contracts) mostly because of errors made inputting the contracts into the payroll system.

BRCC initially began recoupment activity based on calculations that were later determined to be inaccurate. As of December 4, 2013, BRCC had recouped

approximately \$203,498 from 77 employees, including some full payments and some installment payments. BRCC has not begun recoupment activity for the remaining 18 and has not corrected any underpayments.

Improper payments to faculty and inadequate controls over the recoupment of those overpayments subjects BRCC to loss of funds and noncompliance with Article VII, Section 14 of the Louisiana Constitution of 1974 which prohibits the funds of the state to be loaned, pledged, or donated to or for any person.

Management should continue its efforts to identify all inaccurate payments, track and recoup all overpayments, and correct all underpayments. In addition, management should implement adequate controls over faculty contracts to ensure the accuracy of contract terms in the payroll system and of payroll calculations for nine-month faculty electing to receive payment over twelve months. Management concurred with the finding and recommendations and outlined a corrective action plan (see Appendix A, page 1).

Lack of Controls over Payroll

BRCC failed to deduct Federal Insurance Contributions Act (FICA) taxes, Medicare taxes, and premiums for health, dental, vision, life, and long-term disability benefits totaling \$16,765 from 34 employees' paychecks. BRCC also failed to remit the corresponding employer's contributions totaling \$29,578 to the appropriate providers. Failure to properly collect and remit taxes and payroll deductions could result in a loss of employee benefits and potential litigation.

In addition, BRCC did not maintain adequate controls over payroll records, increasing the risk that errors and/or fraud may be committed and not detected in a timely manner. In a test of 26 employees' time sheets and related payroll records for two pay periods, we noted the following:

- Three of 26 (12%) did not contain adequate documentation to support current positions and salaries.
- Three of 26 (12%) did not contain authorization forms for payroll deductions.
- Four of eight (50%) did not contain leave slips for leave taken per the time sheets.
- One of 26 (4%) did not have a time sheet.

In a separate test, we noted that 16 time sheets for five adjunct faculty employees were not approved by the supervisor.

BRCC management did not place sufficient emphasis on maintaining adequate payroll records or ensuring that all payroll deductions were properly withheld from employee paychecks and remitted to the applicable providers. In addition, employees placed in adjunct positions were authorized to approve their own time sheets.

BRCC management should ensure that all taxes and premiums are deducted from employees' paychecks and remitted to the appropriate providers. In addition, BRCC should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees, leave taken, and payroll deductions. Management concurred with the finding and recommendations and outlined a corrective action plan (see Appendix A, page 2).

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

The purpose of this letter is solely to describe the scope of our work at BRCC and not to provide an opinion on the effectiveness of BRCC's internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. 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

CLP:BQD:THC:mk

BRCC 2013

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



201 Community College Drive • Baton Rouge, Louisiana 70806

December 11, 2013

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

Re: Inadequate Control Over Faculty Overpayment and Recoupment

Dear Mr. Purpera,

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Inadequate Control Over Faculty Overpayment and Recoupment". The management at BRCC recognizes its responsibility to accurately pay employees and exercise proper custodianship over state funds.

The following actions have been taken to prevent this error from reoccurring:

- All data entered in the system will have Quality Check review by designated personnel in Human Resources to ensure accuracy;
- All faculty contracts will be reviewed for accuracy before entry into the system;
- Exception reports will be used to identify opportunities for underpayments and overpayments;
- Faculty who were identified as underpaid are being processed for payment;
- Faculty who have not committed to the recoupment process are being referred to BRCC's legal counsel for collections;
- Additional training from LCTCS Payroll office was given to Human Resources and Payroll staff.

Ms. Helen Harris, Vice Chancellor of Finance is responsible for ensuring compliance with the corrective action listed above.

Respectfully,

Andrea Lewis Miller

C: Dr. Joe D. May, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, Vice Chancellor of Finance



201 Community College Drive •Baton Rouge, Louisiana 70806

December 11, 2013

Mr. Darryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397
Re: Lack of Controls Over Payroll

Dear Mr. Purpera,

Management of Baton Rouge Community College (BRCC) concurs with the finding related to "Lack of Controls Over Payroll."

The College recognizes its responsibility for accurate payroll records and has implemented the following to prevent reoccurrences of this finding:

- The structure of Human Resources has been reviewed. Payroll processing has been placed under the purview of finance;
- Procedures have been modified to utilize a check-list to ensure that all documents are included in personnel files;
- A quality check process has been implemented to ensure accurate information is entered in the system.
- Procedures have been modified to ensure that appropriate documentation, including approved leave forms and timesheets, is submitted for all pay records;
- The Louisiana Community and Technical College System (LCTCS) Payroll staff has provided additional Banner training to BRCC Human Resources and Payroll staff on entering personnel data and setting up benefit deductions;
- Reconciliation processes are being established to ensure that errors are detected and corrected in a timely fashion.

Ms. Helen Harris, Vice Chancellor of Finance, is responsible for ensuring compliance with the corrective action listed above.

Respectfully,

Andrea Lewis Miller

Cc: Dr. Joe D. May, LCTCS President
Michael Redmond, LCTCS Internal Auditor
Helen Harris, Vice Chancellor of Finance