

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



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED OCTOBER 22, 2014

**LOUISIANA LEGISLATIVE AUDITOR  
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BATON ROUGE, LOUISIANA 70804-9397**

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**DIRECTOR OF FINANCIAL AUDIT**  
THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

October 22, 2014

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives  
Dr. Monty Sullivan, President  
Louisiana Community and Technical College System  
Dr. Andrea Lewis Miller, Chancellor  
Baton Rouge Community College

Dear Senator Alario, Representative Kleckley, Dr. Sullivan, and Dr. Miller:

This report includes the results of the procedures we performed at Baton Rouge Community College (BRCC) for the period from July 1, 2013 through June 30, 2014 to evaluate its accountability over public funds. The procedures are a part of our audit of the Louisiana Community and Technical College System's financial statements for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of BRCC for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

KLD:APD:CP:BQD:THC:aa

BRCC 2014



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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Audit Control # 80140062

## Baton Rouge Community College

October 2014

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### Introduction

As a part of our audit of the Louisiana Community and Technical College System's (System) financial statements for the year ended June 30, 2014, we performed procedures at Baton Rouge Community College (BRCC) to provide assurances on financial information that is significant to the System's financial statements; to evaluate the effectiveness of BRCC's internal controls over financial reporting and compliance; and to determine whether BRCC complied with applicable laws and regulations. In addition, we determined whether management had taken actions to correct findings reported in the prior year. Capital Area Technical College merged with Baton Rouge Community College effective July 1, 2013, in accordance with Act 171 of the 2013 Regular Session of the Louisiana Legislature.

BRCC is a part of the System and reported an enrollment of more than 11,000 students for the fall 2014 semester. The mission of BRCC is to identify and meet the educational and workforce needs of our community through innovative, accessible, and dynamic programs.

### Results of Our Procedures

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#### Follow-Up on Prior-Year Findings

Our auditors reviewed the status of the prior-year findings reported in the BRCC management letter dated December 19, 2013, and the Capital Area Technical College's prior-year financial statement audit dated December 19, 2013. We determined that management has resolved the prior-year findings related to inaccurate financial reporting and inadequate segregation of duties. The findings relating to the lack of controls over payroll have not been resolved and is addressed again in this report.

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#### Current-Year Finding

##### Lack of Controls over Payroll

During fiscal year 2014, BRCC did not maintain adequate controls over payroll records, resulting in overpayments totaling \$16,124 and an increased risk that errors and/or fraud

may be committed and not detected in a timely manner. This is the second consecutive year that BRCC has been cited for a lack of controls over payroll.

In a test of 29 employees' time sheets and related payroll records for two pay periods, we noted the following:

- One (5%) of 21 employees with employment contracts was paid \$15,060 in excess of their employment contract maximum because of inadequate monitoring of the employee's multiple contracts.
- One (5%) of 21 employees was overpaid \$1,064 because the employee was incorrectly entered into the payroll system.
- One (3%) of 29 personnel files could not be located.
- One (3.5%) of 28 employees with a personnel file to review had erroneous bi-weekly payroll deductions totaling \$21.50.
- One (3.5%) of 28 personnel files did not contain an authorization form for payroll deductions.
- One (3.5%) of 28 personnel files did not contain documentation to support the current salary.
- Three (10%) of 29 employees did not have supervisory approvals on their timesheets.

In a separate test, we noted an additional 11 time sheets for three employees with no supervisory approvals.

BRCC management has not placed sufficient emphasis on maintaining adequate payroll records, ensuring that all payroll deductions are authorized and properly withheld from employee paychecks, or ensuring that employee time sheets are approved prior to payment.

BRCC management should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees and payroll deductions. In addition, BRCC should monitor employee's contracts to ensure the contract maximum amount is not exceeded and accurate pay information is entered into the payroll system. Management concurred with the finding and recommendations and outlined a plan of corrective action (See Appendix A).

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## **Financial Statements - Louisiana Community and Technical College System**

As a part of our audit of the Louisiana Community and Technical College System's financial statements for the year ended June 30, 2014, we considered BRCC's internal controls 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

**Liabilities** - Accounts payable and accrued liabilities

**Net Position** - 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 non-operating revenues

**Expenses** - Education and general

Our audit included tests of BRCC's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we reported a finding on the lack of control over payroll. The account balances and classes of transactions tested, as adjusted, are materially correct.

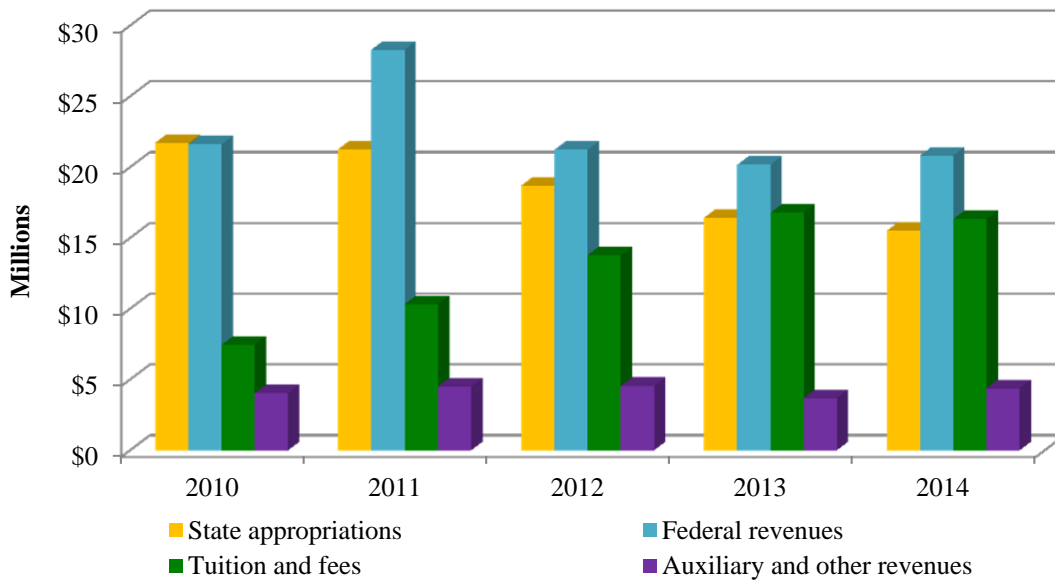
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## **Trend Analysis**

We compared 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 prepared an analysis of revenues, expenses, and enrollment over the last five years.

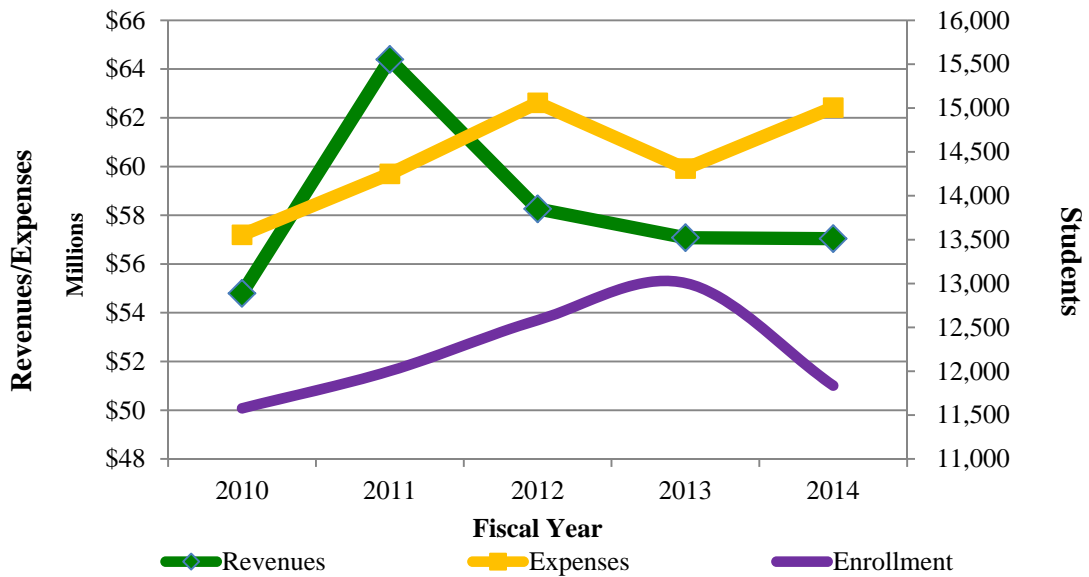
In analyzing financial trends of BRCC over the past five years, we found that since 2010 tuition revenues have steadily increased as state appropriations have decreased. The increase in tuition is attributed mainly to increases permitted by the GRAD Act (Act 741 of the 2010 Regular Session of the Louisiana Legislature) and Act 196 of the 2011 Regular Session of the Louisiana Legislature, which established a uniform fee schedule for the System.

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



Source: Fiscal year 2010 - 2014 BRCC and CATC Annual Fiscal Reports

**Exhibit 2**  
**Fall/Enrollment Trend Analysis**



Source: Fiscal year 2010 - 2014 BRCC and CATC Annual Fiscal Reports and CATC Student Enrollment System database

Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.



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





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201 Community College Drive • Baton Rouge, Louisiana 70806

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October 14, 2014

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 made significant progress in restoring integrity and efficiencies in the Human Resources Department and Payroll. In the past, the Human Resources Department (HR) was severely understaffed, which contributed to this finding. However, the College has hired eight (8) experienced full-time persons and two (2) experienced part-time persons to address compliance and controls.

The College's corrective action plan includes the following mitigating controls in both HR and Payroll, as outlined below:

Human Resources:

The HR office will ensure that employee data affecting payroll (i.e., position, deductions) is correctly entered into Banner.

- The HR team is being aggressively trained in Banner to understand and effectively utilize this HR/Personnel system in which all personnel actions must be recorded.
- The HR team is currently drafting new HR policies and procedures for the College, as well as new forms, that will enforce the controls of the new policies and procedures. The HR team is in the process of mapping every process that affects hiring, pay, and all personnel actions to include the proper authorization documentation and adequate supporting documentation to ensure compliance with laws and policy.

October 16, 2014

Mr. Purpera

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- The HR team is actively working through the organization of personnel records, a process underway as a result of the merger with Capital Area Technical College, to consolidate and house all HR personnel records in a central location.
- The HR team will work with executive management to train hiring managers regarding proper hiring procedures and compliance with authorized hiring documents to prevent overpayments.

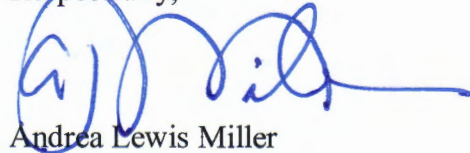
Payroll:

The Payroll office will provide input into the policies and procedures written by Human Resources that affect payroll. In addition, regarding this finding, please understand the following:

- The employee identified as overpaid has been entered into a recoupment plan and the pay record has been corrected.
- The Payroll office is continuing to review and update approvers of timesheets to ensure that employees are not able to approve their own timesheets.
- The Payroll office will provide training to approvers and proxies to ensure they understand the approving process.
- To ensure that an employee's pay is not automatically processed without sufficient approval, the Payroll office has implemented a process of returning any electronic timesheet that processes through the Banner system without appropriate approval by established deadlines. Accordingly, the automatic payment will not be made, and the Payroll office will ensure that payment only happens with an approved timesheet.

This corrective action plan is on-going and will be fully implemented by June 30, 2015. This will not be a repeat finding. Ms. Helen Harris, Vice Chancellor for Finance, and Terri Ricks, Director of Human Resources, are responsible for ensuring compliance with the corrective action plan listed above.

Respectfully,



Andrea Lewis Miller

C: Helen Harris, Vice Chancellor for Finance  
Terri Ricks, Director of Human Resources

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Baton Rouge Community College (BRCC) for the period from July 1, 2013 through June 30, 2014 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, and 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 financial statements for the year ended June 30, 2014.

- We evaluated BRCC'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 BRCC.
- Based on the documentation of BRCC's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on BRCC's account balances and classes of transactions to support the opinion on the System financial statements.
- We compared the most current- and prior-year financial activity using BRCC's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from BRCC management for significant variances.

The purpose of this report 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 report is not intended to be, and should not be, used for any other purposes.

We did not audit or review BRCC's Annual Fiscal Report 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.