

SOWELA TECHNICAL COMMUNITY COLLEGE

LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 7, 2017

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



SOWELA Technical Community College

June 2017

Audit Control # 80170028

Introduction

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

SOWELA is a part of the Louisiana Community and Technical College System (System), which is a component unit of the State of Louisiana. SOWELA's mission is to provide traditional, distance, and lifelong learning experiences and award associate degrees, technical diplomas, and certificates that empower learners in transfer, career, and technical education to excel as globally competitive citizens. SOWELA is composed of the main campus in Lake Charles, Louisiana and the Morgan Smith campus in Jennings, Louisiana.

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, we performed procedures on selected controls and transactions relating to student tuition and fee revenues, student accounts receivable, nonpayroll expenses, and federal nonoperating revenues from the Federal Pell Grant Program. We also performed analytical review procedures and analyzed SOWELA's revenues, expenses, and enrollment over the last five fiscal years.

Student Tuition and Fee Revenues

We obtained an understanding of controls over student tuition and fee revenues. We verified that the tuition and fee rate schedules for the Fall 2015 to Spring 2017 semesters were in accordance with applicable laws and regulations, and we performed procedures to ensure that students were assessed the proper amount. In addition, we performed procedures to ensure that payments posted to student accounts were adequately supported and deposited timely, and that refunds, when applicable, were calculated in accordance with the refund policy. Based on the results of our procedures, there were no exceptions identified.

Student Accounts Receivable

SOWELA has an agreement with the Louisiana Attorney General for debt collection. We reviewed SOWELA's policies and procedures related to debt collection for compliance with applicable laws and regulations. We performed procedures on selected student accounts with an outstanding balance for the Fall 2015, Spring 2016, or Summer 2016 semesters as of June 30, 2016, or an outstanding balance for the Fall 2016 semester as of December 30, 2016, to ensure SOWELA followed its internal policies and procedures and that collection activity followed state law and the agreement with the Attorney General. Based on the results of our procedures, there were no exceptions identified.

Nonpayroll Expenses

Nonpayroll expenses totaled \$8.4 million for fiscal year 2016. We tested selected expense transactions that occurred between July 1, 2015, and December 31, 2016, to ensure that the transactions were adequately supported; properly approved; in accordance with the terms of the contract, if applicable; and complied with laws and regulations. Based on the results of our procedures, there were no exceptions identified.

Federal Nonoperating Revenue from Federal Pell Grant Program

SOWELA administers the Federal Pell Grant Program to provide financial assistance to eligible students. We obtained an understanding of controls over the reconciliation of SOWELA's records to the Grant Management System (G5) and the Common Origination and Disbursement (COD) system. We performed procedures to ensure the reconciliations were properly supported and that the amounts per the federal systems agreed to SOWELA's accounting records. Based on the results of our procedures, there were no exceptions identified.

Trend Analysis

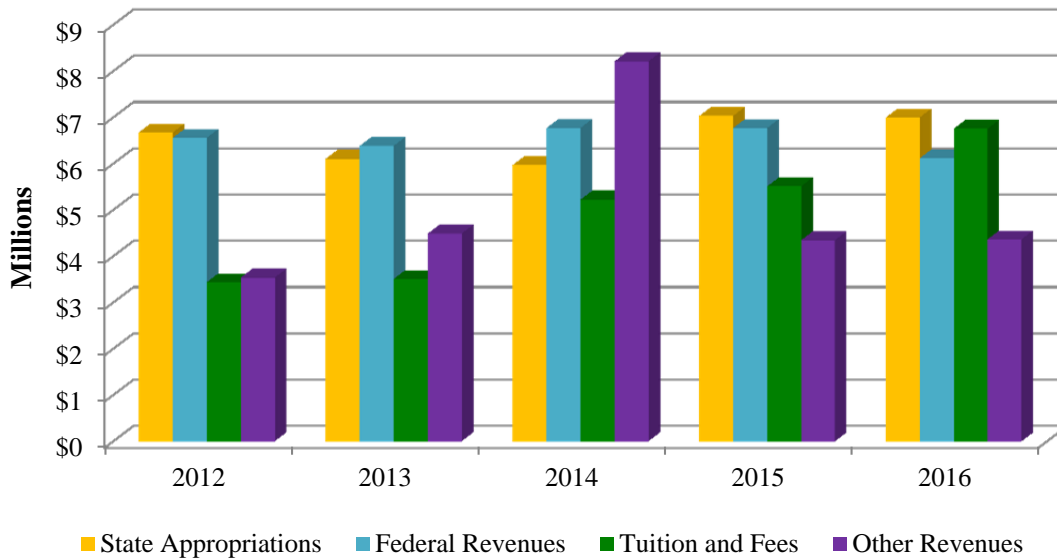
We compared the most current and prior-year financial activity using SOWELA's annual fiscal reports and/or system-generated reports and obtained explanations from management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years, as shown in Exhibit 1 and 2.

In analyzing financial trends of SOWELA over the past five fiscal years, state appropriations and federal revenues have remained relatively consistent. Tuition and fee revenues are increasing as

a result of increased enrollment and increased tuition and fee rates. Other revenue has remained relatively consistent except in fiscal year 2014, when revenues increased as the result of an increase in capital funding for the construction of the new Nursing Building and land acquired for new facilities. During fiscal year 2014, there was also an increase in state grants for deferred maintenance, training programs, and training facility improvements.

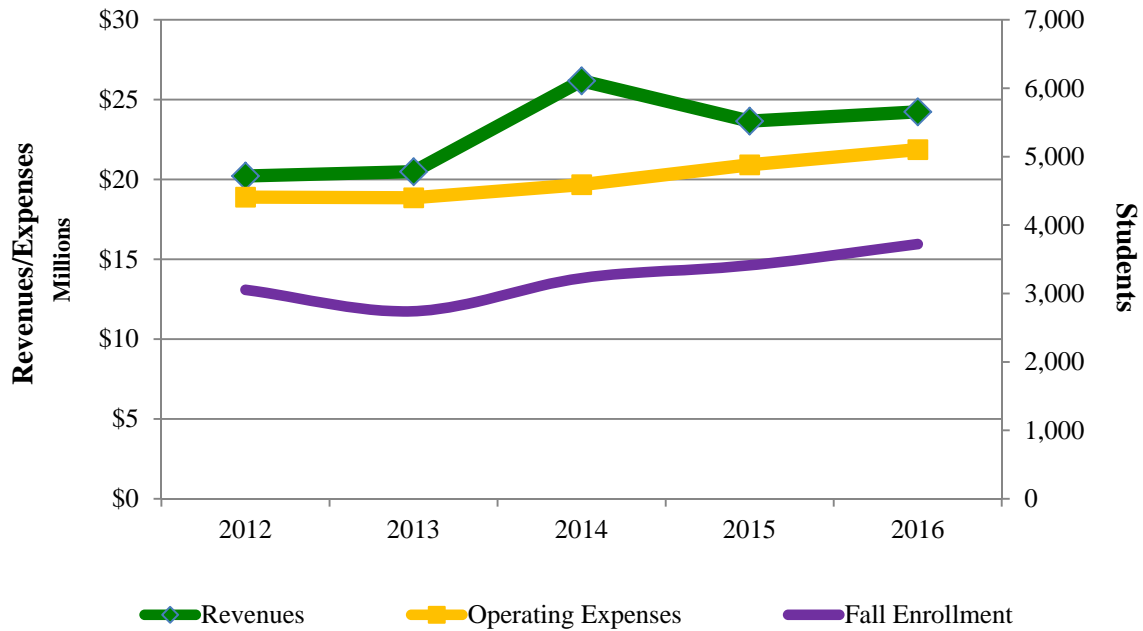
Exhibit 1: Five-Year Revenue Trend, by Fiscal Year



Source: LCTCS Audit Reports


Although not reflected in the following chart, enrollment for Fall 2016 (fiscal year 2017) decreased by approximately 13% due to a decrease in dual-enrollment students.

Exhibit 2: Fiscal/Enrollment Trends, by Fiscal Year



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,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

RM:CR:BH:EFS:aa

APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the SOWELA Technical Community College (SOWELA) for the period from July 1, 2015, through June 1, 2017. Our objective was to evaluate certain internal controls SOWELA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall 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 (System), which is an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- 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, we performed procedures on selected controls and transactions relating to student tuition and fees revenues, student accounts receivable, nonpayroll expenses, and federal nonoperating revenues from the Federal Pell Grant Program.
- 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 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.