

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



MANAGEMENT LETTER
ISSUED MARCH 21, 2012

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Two copies of this public document were produced at an approximate cost of \$8.22. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 5841 or Report ID No. 80110077 for additional information.

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EXECUTIVE SUMMARY

Our procedures at the Baton Rouge Community College (BRCC) for the period July 1, 2010, through June 30, 2011, disclosed the following:

- BRCC informed us that 44 college-owned property items with a known value of at least \$13,983 were misappropriated and not reported as required by law to the district attorney or the legislative auditor from December 2006 through May 2011, thus preventing the timely investigation of those misappropriations. The items were also not reported to the Louisiana Community and Technical College System's (System) internal auditor as required by System policy.
- BRCC delivered 27 pieces of computer equipment including 10 laptops valued at \$15,447 to a nonprofit organization without the authority to do so. BRCC also did not timely enter items into the state's property system, including weapons.
- Students who may have been eligible for hardship waivers of the academic excellence and operational fees were not informed of those waivers and were therefore not afforded the opportunity to receive this assistance.
- Other than the findings noted previously, no significant control deficiencies or errors relating to cash and cash equivalents, capital assets, accounts payable and accruals, deferred revenues, student tuition and fees, federal nonoperating revenues, and education and general expenses were identified.
- No significant control deficiencies or noncompliance that would require reporting under Office of Management and Budget Circular A-133 for the Student Financial Aid Cluster were identified.
- A system internal audit report on the BRCC Athletic Program, dated October 31, 2011, included four findings related to National Junior College Athletic Association (NJCAA) housing requirements, NJCAA meals violations, baseball ticket revenues, and failure to release scholarships. The finding relating to baseball ticket revenues indicated that the head baseball coach was in charge of all cash collected at the admissions gate for home games and as of September 26, 2011, had \$4,393 in his possession. BRCC management provided receipts to document that those funds were subsequently used to fund improvements to the baseball field used by BRCC.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 14, 2011

**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 part of our audit of the Louisiana Community and Technical College System's (System) financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2011, we conducted certain procedures at the Baton Rouge Community College (BRCC) for the period from July 1, 2010, through June 30, 2011.

- Our auditors obtained and documented an understanding of BRCC's operations and system of internal controls, including internal controls over major federal award programs administered by BRCC, through inquiry, observation, and review of its policies and procedures documentation, including a review of the related 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 report and/or system-generated reports and obtained explanations from BRCC management for any significant variances.
- Our auditors considered internal control over financial reporting and examined evidence supporting the BRCC account balances and classes of transactions material to the System's financial statements as follows:
 - Statement of Net Assets

Cash and cash equivalents, capital assets, accounts payable and accruals, and deferred revenues
 - Statement of Revenues, Expenses, and Changes in Net Assets

Student tuition and fees, federal nonoperating revenues, and education 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. These procedures were performed in accordance with *Government Auditing Standards* as part of our audit of the System's financial statements for the fiscal year ended June 30, 2011.

- Our auditors performed internal control and compliance testing with requirements that could have a direct and material effect on a major federal program in accordance with Office of Management and Budget Circular A-133. Procedures were performed on the Student Financial Assistance Cluster for fiscal year ended June 30, 2011, as a part of the Single Audit of the State of Louisiana.

The Annual Fiscal Report of BRCC is 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, we have included all significant findings that are required to be reported by *Government Auditing Standards* in this letter for management's consideration.

Misappropriations Not Reported

BRCC informed us that 44 college-owned property items with a known value of at least \$13,983 were misappropriated and not reported as required by law to the district attorney or the legislative auditor from December 2006 through May 2011, thus preventing the timely investigation of those misappropriations. The items were also not reported to the System's internal auditor as required by System policy. BRCC did not comply with Louisiana Revised Statute (R.S.) 24:523 or System policy 5.019.

Upon the auditor's inquiry, BRCC represented to us that 19 college-owned property items totaling \$13,983 and 25 college-owned property items with an undetermined value were not reported. These misappropriations occurred between December 12, 2006, and May 17, 2011. Because they were not reported, neither the legislative auditor, the district attorney, nor the System's internal auditor had the ability to perform a timely investigation of the misappropriations to determine who was culpable.

BRCC should ensure that any misappropriations of public funds or assets are immediately reported in writing to the System Director of Internal Audit in accordance with System policy, so he may report to the legislative auditor and local district attorney as required by state law. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Inadequate Controls Over Movable Property

BRCC delivered 27 pieces of computer equipment including 10 laptops valued at \$15,447 to a nonprofit organization without the authority to do so. BRCC also did not timely enter items into the state's property system, including weapons. BRCC did not have adequate controls over movable property and did not follow Louisiana Property Assistance Agency (LPAA) regulations regarding the surplus of computer equipment, resulting in potential noncompliance with Article 7, Section 14 of the Louisiana Constitution. Procedures performed on BRCC's movable property disclosed the following deficiencies:

- In fiscal year 2009, BRCC delivered 27 pieces of computer equipment to Computers for Louisiana Kids (CLK) without the authority to donate property and without prior approval from LPAA to surplus. These assets included 10 laptops valued at \$15,447, which are reported as unlocated on the current inventory certification report, and 17 projectors with an undetermined value.
- A Late Additions report, generated from the LPAA Protégé system, indicated 31 items totaling \$108,171 were not reported to LPAA within 60 days of receipt, as required by the Louisiana Administrative Code. The number of days late ranged from 65 to 902 days. Nine of the 31 (29%) items were weapons that were entered 169 to 902 days late.
- Three weapons totaling \$1,534 had not been entered into Protégé at the time of our procedures. These items were subsequently entered in Protégé, resulting in the number of days late ranging from 783 to 1,937 days.

BRCC management represented that it delivered the computer equipment to CLK in error, but were unable to retrieve the computer equipment because it had been recycled. During an internal review of its inventory processes and procedures, BRCC management realized all weapons should be reported in Protégé, regardless of the dollar amount. At that time, BRCC reported nine weapons, but overlooked three weapons that were not reported.

Donation of movable property without the proper authority indicates a potential constitutional violation. Failure to establish adequate controls over movable property increases the risk of misstatements of movable property balances, increases the risk of loss arising from unauthorized use of property, and subjects BRCC to noncompliance with state laws and regulations.

Management should ensure the surplus of computer equipment follows LPAA regulations and that acquisitions of qualified assets, including weapons regardless of cost, be tagged and information reported to LPAA within 60 days after receipt to remain in compliance with state laws and regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Noncompliance With Hardship Waivers' Requirements

Students who may have been eligible for hardship waivers of the academic excellence and operational fees were not informed of those waivers and therefore were not afforded the opportunity to receive this assistance. BRCC policy 128, "Tuition & Fee Increase Waivers," did not provide for hardship waivers of the academic excellence and operational fees, as required by the System policy (5.021) and state law [R.S. 17:3351(A)(5)(d) and 17:3351.10]. The System's policy changed during fiscal year 2011 to specifically include waivers for the operational and academic excellence fees, but BRCC's policy did not change to reflect that update.

The System's policy also requires each college to post the process for application for hardship waivers on its Web site. BRCC posted the policy in the "Faculty and Staff" section of the Web site in the Administration section of the BRCC policy manual rather than in the "Financial Aid" section of the Web site. BRCC personnel represented to us that as of August 5, 2011, no students had inquired, applied, or received a financial hardship waiver.

Failure to make a hardship waiver for the academic excellence and operational fees available to students and to adequately notify students of the process for application result in noncompliance with the System's policy and state law. This noncompliance may cause a financial loss for students who were eligible for the waivers.

BRCC management should specifically provide for hardship waivers of the academic excellence and operational fees to ensure compliance with the System's policy and state law. Management should also ensure the process for application for hardship waivers is adequately posted on its Web site in a location easily found by the students. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

A System internal audit report, dated October 31, 2011, identified four findings during an audit of the BRCC Athletic Program. BRCC had self-reported three National Junior College Athletic Association (NJCAA) rule violations and requested internal audit to conduct a review of the athletic program. The objectives of the internal audit "were to determine BRCC's compliance with the NJCAA Handbook and BRCC Office of Collegiate Athletics Standard Operating Procedures, to review cash controls within the athletic program, and to verify housing scholarships awarded to student-athletes." The four findings related to NJCAA housing requirements, NJCAA meals violations, baseball ticket revenues, and failure to release scholarships.

The finding relating to baseball ticket revenues indicated that the head baseball coach was in charge of all cash collected at the admissions gate for home games. With that cash, he paid the staff, bought field supplies, and purchased meals. As of September 26, 2011, there was \$4,393 in the head baseball coach's possession, which represents excess admission fee collections after the related expenses had been paid.

On December 8, 2011, management provided receipts to document that the \$4,393 was spent on improvements to the baseball field including new carpet for the locker room and a replacement ice machine. Management represented to us that it is enforcing existing controls over the collection of ticket revenues. Finance will have a copy of the baseball schedule to ensure that deposits are made timely after games.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of BRCC. The varying 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 findings related to BRCC's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of BRCC and its management, others within BRCC, the System, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. 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

KSH:CLP:BQD:THC:dl

BRCC 2011

Appendix A

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



201 Community College Drive •Baton Rouge, Louisiana 70806

November 28, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Misappropriations Not Reported

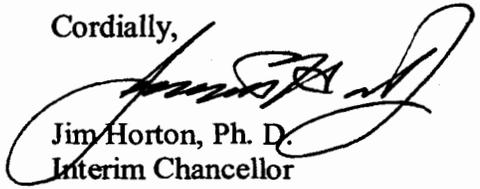
Dear Mr. Purpera,

Management of Baton Rouge Community College concurs with the finding related to not reporting misappropriations of college assets. The management of Baton Rouge Community College recognizes its responsibility for the timely notification of misappropriation of college assets as required by Louisiana Revised Statute 24:523 and Louisiana Community and Technical College System (LCTCS) as mandated in LCTCS policy 5.019.

BRCC policy # 816 titled "Misappropriation of Assets – Notification Policy" was revised on October 24, 2011 to clarify college roles and responsibilities when reporting misappropriations of college assets. The revised policy requires the Chief of Police to notify the Vice Chancellor for Administration and Finance/Audits anytime college assets are misappropriated. The Vice Chancellor for Administration and Finance/Audits is responsible for notifying the LCTCS Director of Internal Audit who will then notify the entities as required by Louisiana Revised Statute 24:523.

If you have any questions, please contact Ms. Pam Diez, Vice Chancellor for Administration and Finance/Audits at 225-216-8287.

Cordially,


Jim Horton, Ph. D.
Interim Chancellor

xc: Pam Diez
Vice Chancellor for Administration and Finance/Audits



201 Community College Drive • Baton Rouge, Louisiana 70806

December 13, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Inadequate Controls Over Movable Property

Dear Mr. Purpera,

Management of Baton Rouge Community College (BRCC) concurs with the finding related to inadequate controls over movable property. The management of Baton Rouge Community College recognizes its responsibility for establishing controls over movable property to ensure that all college property is secured.

BRCC has reevaluated the processes related to tagging and processing movable inventory changes. Changes to procedures have been implemented to ensure that this finding does not reoccur. These changes include the following:

- Before any property is surplus, the BRCC property manager will complete the proper paperwork. The property manager will participate in the delivery of items to Louisiana Property Assistance Agency.
- The existing procedures for notification of property that requires a property control tag have been reinforced to the responsible staff. In addition, a reconciliation process has been developed to identify taggable items that were purchased.
- A weapons log will be maintained by the property manager to ensure that all weapons purchased by BRCC are tagged and entered into Protégé timely.

If you have any questions, please contact Ms. Pam Diez, Vice Chancellor for Administration and Finance/Audits at 225-216-8287.

Cordially

Jim Horton, Ph. D.
Interim Chancellor



201 Community College Drive •Baton Rouge, Louisiana 70806

November 2, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Noncompliance with Hardship Waivers' Requirements

Dear Mr. Purpera,

Management of Baton Rouge Community College concurs with the finding related to noncompliance with hardship waivers' requirements. The management of Baton Rouge Community College recognizes its responsibility for notifying students of the process to apply for a hardship waiver.

BRCC policy # 128 titled "Tuition and Fee Increase Waviers" was revised on October 10, 2011 to comply with LCTCS Policy 5.021 and Louisiana Revised Statutes R.S. 17:3351(A)(5)(d) and 17.3351.10. The new policy titled "Tuition and Fee Waivers" includes provisions for hardship waivers of the academic excellence and operational fee. The new policy is posted on the BRCC website's financial aid section.

If you have any questions, please contact Ms. Pam Diez, Vice Chancellor for Administration and Finance/Audits at 225-216-8287.

Cordially,

A handwritten signature in black ink, appearing to read "Jim Horton".

Jim Horton, Ph. D.
Interim Chancellor

xc: Pam Diez
Vice Chancellor for Administration and Finance/Audits