SOWELA TECHNICAL COMMUNITY COLLEGE
A COLLEGE WITHIN THE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2009
ISSUED JUNE 30, 2010

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

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 7, 2010

Independent Auditor's Report

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the accompanying basic financial statements of SOWELA Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of SOWELA Technical Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of SOWELA Technical Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of SOWELA Technical Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of SOWELA Technical Community College as of June 30, 2009, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-O to the financial statements, in accordance with guidance from the Governmental Accounting Standards Board, SOWELA Technical Community College has reported federal revenues from the federal Pell Grant as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets. This change affects the comparability of amounts reported as operating revenues for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2010, on our consideration of SOWELA Technical Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Funding Progress for the Other Postemployment Benefits Plan are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The Management Discussion and Analysis is not included in the audited financial statements for fiscal year ended June 30, 2009. We have applied certain limited procedures to the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 27, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LBL:BH:EFS:PEP:dl

SOWELA 2009

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$4,668,068
Receivables, net (note 3)	450,936
Due from federal government (note 3)	1,511
Due from Louisiana Community and Technical College System	251,061
Inventories	10,843
Deferred charges and prepaid expenses	53,524
Total current assets	5,435,943
Noncurrent assets - capital assets, net (note 4)	5,613,910
Total assets	11,049,853
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 8)	826,661
Due to Louisiana Community and Technical College System	7,719
Deferred revenues (note 9)	686,264
Compensated absences payable (note 10)	74,327
Amounts held in custody for others	26,187
Total current liabilities	1,621,158
Noncurrent liabilities:	
Compensated absences payable (note 10)	667,979
Other postemployment benefits payable (note 7)	2,536,239
Total noncurrent liabilities	3,204,218
Total liabilities	4,825,376
NET ASSETS	
Invested in capital assets	5,613,910
Restricted for expendable (note 12)	114,183
Unrestricted	496,384
TOTAL NET ASSETS	$6,224,477

The accompanying notes are an integral part of this statement.

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SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009

OPERATING REVENUES	
Student tuition and fees	$3,235,496
Less scholarship allowances	(822,325)
Net student tuition and fees	2,413,171
Federal grants and contracts	1,018,027
State and local grants and contracts	64,066
Sales and services of educational departments	42,863
Other operating revenues	354,386
Total operating revenues	3,892,513
OPERATING EXPENSES	
Educational and general:	
Instruction	7,633,436
Academic support	506,374
Student services	1,116,943
Institutional support	3,034,074
Operations and maintenance of plant	1,087,529
Depreciation (note 4)	478,524
Scholarships and fellowships	2,040,064
Other operating expenses	130,383
Total operating expenses	16,027,327
OPERATING LOSS	(12,134,814)
NONOPERATING REVENUES	
State appropriations	8,465,773
Gifts	308,849
Federal nonoperating revenues	2,346,299
Net investment income	37,889
Net nonoperating revenues	11,158,810

The accompanying notes are an integral part of this statement.

(Continued)

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009

LOSS BEFORE OTHER REVENUES	($976,004)
Capital appropriations	166,579
Capital grants and gifts	2,517,376
INCREASE IN NET ASSETS	1,707,951
NET ASSETS AT BEGINNING OF YEAR, RESTATED (note 13)	4,516,526
NET ASSETS AT END OF YEAR	$6,224,477

(Concluded)

The accompanying notes are an integral part of this statement.

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2009

Cash Flows From Operating Activities:	
Tuition and fees	$2,329,034
Grants and contracts	1,891,773
Sales and services of educational departments	42,863
Payments for employee compensation	(6,851,721)
Payments for benefits	(2,044,963)
Payments for utilities	(349,935)
Payments for supplies and services	(3,064,850)
Payments for scholarships and fellowships	(2,040,064)
Other receipts	446,478
Net cash (used) by operating activities	(9,641,385)
Cash Flows From Noncapital Financing Activities:	
State appropriations	8,465,773
Gifts and grants for other than capital purposes	2,655,148
TOPS receipts	176,405
TOPS disbursements	(176,405)
Other receipts	127
Net cash provided by noncapital financing activities	11,121,048
Cash Flows From Capital Financing Activities:	
Purchases of capital assets	(624,450)
Net cash (used) by capital financing activities	(624,450)
Cash Flows From Investing Activities:	
Interest received on deposits	37,889
Net cash provided by investing activities	37,889
Net increase in cash and cash equivalents	893,102
Cash and cash equivalents at beginning of year	3,774,966
Cash and cash equivalents at end of year	$4,668,068

(Continued)

The accompanying notes are an integral part of this statement.

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
Statement of Cash Flows, June 30, 2009

Reconciliation of Net Operating Loss to	
Net Cash Used by Operating Activities:	
Operating loss	($12,134,814)
Adjustments to reconcile operating loss to net cash	
used by operating activities:	
Depreciation expense	478,524
Changes in assets and liabilities:	
Decrease in accounts receivable, net	220,745
(Increase) in inventories	(4,267)
Decrease in prepaid expenses	5,939
Increase in accounts payable	36,911
Increase in deferred revenue	345,829
Increase in compensated absences	56,548
Increase in other postemployment benefits payable	1,353,200
Net cash (used) by operating activities	($9,641,385)
Noncash Investing, Noncapital Financing, and Capital and	
Related Financing Transactions:	
Movable property paid for by Office of Facility Planning and Control	$166,579
Transfer of land and building	2,517,376

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

SOWELA Technical Community College (college) is a publicly supported institution of higher education. The college is a part of the Louisiana Community and Technical College System (System), which is a component unit of the State of Louisiana, within the executive branch of government. The college is under the management and supervision of the Board of Supervisors of the System; however, certain items, such as the annual budget of the college and changes to the degree programs and departments of instruction, require the approval of the Louisiana Board of Regents of Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The college is located at 3820 Senator J. Bennett Johnson Avenue, Lake Charles, Louisiana. The college offers associate of applied science degrees in the areas of accounting technology, aviation maintenance technology, commercial art, computer specialist-operations, computer technology-applications development specialist, computer technology-networking specialist, computer technology-programming specialist, criminal justice, drafting and design technology, industrial electronics technology, industrial instrumentation, occupational education, office systems technology, and process technology; technical competency areas in dietary management and nursing assistant; an associate in general studies; and a certificate in technical studies in heating, ventilation and air conditioning. The college had enrollment of 844 and 1,816 in the summer and fall of 2008, respectively, and 1,924 in the spring of 2009. The college has 156 full-time faculty and staff.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The college is part of the System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the colleges within the System primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of the college.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements within the System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the System and the State of Louisiana.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the college's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The college has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution has elected to not apply FASB pronouncements issued after the applicable date.

D. BUDGETARY PRACTICES

The State of Louisiana's appropriation to the college is an annual lapsing appropriation established by legislative action and Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) certain inventories are recorded as expenditures at the time of purchase. A formal budgetary comparison is not required by GASB reporting standards for proprietary funds and, therefore, budgetary comparisons are not presented.

The budget amount for fiscal year 2009 includes the original approved budget and subsequent amendments approved as follows:

Original approved budget	$11,470,384
Amendments - statutory dedication decreases	(5,000)
Amendments - self-generated increases	711,964
Total	$12,177,348

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, interest-bearing demand deposits, and a certificate of deposit. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. INVENTORIES

Inventories are valued at the lower of cost or market on the weighted-average basis. The institution accounts for its inventories using the consumption method.

G. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property (equipment), the college's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings and improvements costing $100,000 or more are capitalized. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and 3 to 10 years for most movable property.

H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and grant revenue prior to the end of the fiscal year but are related to the subsequent accounting period and deferred rental income related to an acquisition of land.

I. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences and other postemployment benefits (OPEB) that will not be paid within the next fiscal year.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation or termination of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee’s hourly rate of pay at termination or transfer.

K. NET ASSETS

The college’s net assets are classified as follows:

(a) Invested in capital assets represents the college’s total investment in capital assets, net of accumulated depreciation. The college does not have any outstanding debt obligations related to capital assets.

(b) Restricted net assets (expendable) consist of resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(c) Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of the educational department. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the college’s policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

L. CLASSIFICATION OF REVENUES AND EXPENSES

The college has classified its revenues as either operating or nonoperating according to the following criteria: (1) Operating revenue includes activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances; and most federal, state, and local grants and contracts. (2) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

The college has classified its expenses as either operating or nonoperating according to the following criteria: (1) Operating expenses generally include transactions resulting from providing goods or services, such as payments to vendors for goods or services; payments to employees for services; and payments for employee benefits. (2) Nonoperating expenses include transactions resulting from financing activities, capital acquisitions, and investing activities.

M. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances is the difference between the stated charge for services (tuition and fees) provided by the college and the amount that is paid by students and/or third parties making payments on the students' behalf.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

GASB has issued guidance on reporting federal revenues received from certain federal programs and has determined that revenues received from these programs are non-exchange revenue transactions. The college has implemented the guidance for the federal Pell Grant and has reclassified the revenues received as nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets. The effect of implementing this guidance is a decrease of $2,346,299 in operating revenues for federal grants and contracts and a corresponding increase in federal nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets. This change affects the comparability of amounts reported for the year ended June 30, 2009, with amounts reported for the year ended June 30, 2008.

2. CASH AND CASH EQUIVALENTS

At June 30, 2009, the college has cash and cash equivalents (book balance) of $4,668,068 as follows:

Petty cash	$400
Interest-bearing demand deposits	4,621,063
Certificates of deposit	46,605
Total	$4,668,068

Custodial credit risk is the risk that in the event of a bank failure, the college's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the college or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2009, the college has $4,895,201 in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of allowances for doubtful accounts at June 30, 2009. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Net Receivables
Student tuition and fees	$252,164	($195,677)	$56,487
State and private grants and contracts	356,751		356,751
Other	37,698		37,698
Total	$646,613	($195,677)	$450,936
Due from Federal Government	$1,511	NONE	$1,511

There is no noncurrent portion of receivables.

4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2009, follows:

	Balance June 30, 2008	Prior Period Adjustment	Adjusted Balance at June 30, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets not being depreciated - land	$195,605	NONE	$195,605	$360,000	NONE	$555,605
Other capital assets:						
Buildings	$5,951,146		$5,951,146	$2,539,010		$8,490,156
Less accumulated depreciation	(4,261,579)		(4,261,579)	(194,034)		(4,455,613)
Total buildings	1,689,567	NONE	1,689,567	2,344,976	NONE	4,034,543
Equipment	3,175,876	($44,427)	3,131,449	409,395	($5,045)	3,535,799
Less accumulated depreciation	(2,247,401)	14,809	(2,232,592)	(284,490)	5,045	(2,512,037)
Total equipment	928,475	(29,618)	898,857	124,905	NONE	1,023,762
Total other capital assets	$2,618,042	($29,618)	$2,588,424	$2,469,881	NONE	$5,058,305
Capital asset summary:						
Capital assets not being depreciated	$195,605		$195,605	$360,000		$555,605
Other capital assets, at cost	9,127,022	($44,427)	9,082,595	2,948,405	($5,045)	12,025,955
Total cost of capital assets	9,322,627	(44,427)	9,278,200	3,308,405	(5,045)	12,581,560
Less accumulated depreciation	(6,508,980)	14,809	(6,494,171)	(478,524)	5,045	(6,967,650)
Capital assets, net	$2,813,647	($29,618)	$2,784,029	$2,829,881	NONE	$5,613,910

5. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified and unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer plan because the material portion of its activity is with one employer--the State of Louisiana. TRSL and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the retirement systems; employee benefits vest with TRSL after five years of service and with LASERS after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The retirement systems issue annual publicly available financial reports that include financial statements and required supplementary information. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2009, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. The state is required to contribute 15.5% of covered salaries to TRSL and 18.5% of covered salaries to LASERS for fiscal year 2009. The State of Louisiana, through the annual appropriation to the college, funds the college's employer contribution. The college's employer contributions to TRSL for the years ended June 30, 2009, 2008, and 2007 were $732,168; $710,287; and $612,388, respectively, and to LASERS for the years ended June 30, 2009, 2008, and 2007 were $203,323; $202,342; and $168,129, respectively, equal to the required contributions for each year.

6. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This plan was designed to aid colleges in recruiting employees who may not be expected to remain in the TRSL for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 set the contribution requirements of the plan members and the system equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the college are 15.5% of the covered payroll for fiscal year 2009. The participant's contribution, which was 8% for fiscal year 2009, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $58,666 and $29,467, respectively, for the year ended June 30, 2009.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Description--Employees of the college voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing multiple-employer defined benefit plan but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site at www.doa.la.gov/osrap.

Funding Policy--The contribution requirements of plan members and the college are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to Medicare Advantage plans that are offered on a calendar year basis. During calendar year 2008, there were three HMO plans and three private fee-for-service (PFFS) plans offered by five companies. The three HMO plans were Humana Regional HMO Plan, Peoples Health Regional HMO-Point-of-Service (POS) Plan, and Vantage HMO-POS Plan. The three PFFS plans were Humana PFFS Plan, Universal American/Today's Option PFFS Plan, and United Healthcare/Secure Horizons PFFS Plan. During calendar year 2009, there were three HMO plans and two PFFS plans offered by four companies. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO-POS Plan, and Vantage HMO-POS Plan. The two PFFS plans are Humana PFFS Plan and Secure Horizons Medicare Direct PFFS Plan. Depending upon the plan selected, during fiscal year 2009, employee premiums for a single member receiving benefits range from $34 to $218 per month for retiree-only coverage with Medicare or from $130 to $176 per month for retiree-only coverage without Medicare. The fiscal year 2009 employee premiums for a retiree with spouse, children, or family coverage range from $69 to $468 per month for those with Medicare and from $187 to $514 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with the college contributing from $26 to $246 per month for retiree-only coverage with Medicare or from $838 to $873 per month for retiree-only coverage without Medicare during fiscal year 2009. Also, the college's contributions range from $52 to $1,212 per month for retiree with spouse, children, or family coverage with Medicare or from $892 to $1,341 for retiree with spouse, children, or family coverage without Medicare.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability--The college's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year open amortization period had been used. The total ARC for fiscal year 2009 is $1,665,700 as set forth below:

Normal cost	$929,900
30-year UAAL amortization amount	671,735
Interest	64,065
Annual required contribution (ARC)	$1,665,700

The following schedule presents the college's OPEB obligation for fiscal year 2009:

Annual required contribution	$1,665,700
Interest on net OPEB obligation	47,322
ARC adjustment	(45,206)
OPEB cost	1,667,816
Contributions made - current year retiree premiums	(314,616)
Change in net OPEB obligation	1,353,200
Beginning net OPEB obligations at July 1, 2008	1,183,039
Ending net OPEB obligation at June 30, 2009	$2,536,239

The college's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2009, and the preceding fiscal year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$1,464,300	19.2%	$1,183,039
June 30, 2009	1,667,816	18.9%	2,536,239

Funded Status and Funding Progress--During fiscal year 2009, neither the college nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008, but was not funded, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the college's entire actuarial accrued liability of $17,578,700 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2008, was as follows:

Actuarial accrued liability (AAL)	$17,578,700
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability	$17,578,700
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$4,295,300
UAAL as percentage of covered payroll	409%

Actuarial Methods and Assumptions--Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2008, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 9.0% and 10.1% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, is 28 years. Annual per capita medical claims were updated to reflect an additional year of actual experience. There were no other changes in assumptions.

8. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2009, are as follows:

Vendors	$207,252
Salaries and benefits	598,018
Other	21,391
Total	$826,661

9. DEFERRED REVENUES

For the year ended June 30, 2009, the amount of tuition and fees, grants, and rental income recorded prior to the end of the fiscal year but related to the subsequent accounting period is as follows:

Tuition and fees	$144,544
Grants and contracts	458,434
Rental income	83,286
Total	$686,264

10. COMPENSATED ABSENCES

At June 30, 2009, employees of the college have accumulated and vested annual, sick, and compensatory leave benefits of $460,344; $281,928; and $34, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. The following is a schedule of changes in the liability associated with compensated absences:

Balance as of June 30, 2008	$685,758
Additions	93,971
Reductions	(37,423)
Balance as of June 30, 2009	$742,306
Amounts due within one year	$74,327

11. LEASE OBLIGATIONS

For the year ended June 30, 2009, total rental expense for office equipment was $12,623. There were no future minimum annual rental payments. The college does not have any capital or revenue leases.

12. RESTRICTED NET ASSETS

At June 30, 2009, the college has $114,183 in restricted expendable net assets as follows:

Scholarships	$68,425
Student fees	36,571
Grant and contracts	6,991
Student aid funds	2,196
Total	$114,183

Of the total restricted net assets at June 30, 2009, none are restricted by enabling legislation.

13. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement B have been restated to reflect the following adjustments:

Net Assets at June 30, 2008	$4,546,144
Capital asset adjustment, net of depreciation	(29,618)
Net Asset at June 30, 2008, restated	$4,516,526

14. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The college is not involved in any lawsuits at June 30, 2009. Any losses arising from judgments, claims, and similar contingencies would be paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund. During fiscal year 2009, no direct claims or litigation costs were incurred by the college.

15. FOUNDATION

The accompanying financial statements do not include the accounts of the SOWELA Technical Community College Foundation, Incorporated. This foundation is not included because it does not meet criteria established by the Division of Administration, Office of Statewide Reporting and Accounting Policy, for determining component units included in the college system's financial statement in accordance with GASB Statement 14, as amended by GASB Statement 39. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

16. DEFERRED COMPENSATION PLAN

Certain employees of the college participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the

Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

17. SUBSEQUENT EVENTS

On September 9, 2009, a claim was filed with the Office of Workers' Compensation by a college employee. The lawsuit has the potential liability of $80,000.

In a board meeting held on August 12, 2009, the Board of Supervisors for the System authorized the college to purchase 10 modular classroom buildings and 1 modular restroom, a total of approximately 15,888 square feet, from McGrath Rent Corporation (d/b/a Mobile Modular Management Corporation). In accordance with R.S. 39:1645(J), the purchase of $538,838 funded by a Louisiana Recovery Authority grant was made on May 26, 2010.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the
Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress of the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

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SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	$14,449,300	$14,449,300	0.0%	$4,734,447	305%
July 1, 2008	NONE	$17,578,700	$17,578,700	0.0%	$4,295,300	409%

Note to the Schedule:

GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only two years of information are available.

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 7, 2010

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Lake Charles, Louisiana

We have audited the basic financial statements of SOWELA Technical Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, and have issued our report thereon dated June 7, 2010. Our report was modified to include a classification change for Pell Grant revenues. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SOWELA Technical Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SOWELA Technical Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SOWELA Technical Community College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the following paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Inaccurate Financial Reporting

Sowela Technical Community College (STCC) does not have adequate internal control procedures over the financial reporting process to ensure that the annual fiscal report (AFR) provided to the Louisiana Community and Technical College System (LCTCS) was prepared timely and accurately. Good internal controls over financial reporting should include an effective compilation and review process to ensure the accuracy, completeness, and timeliness of financial information reported to LCTCS.

Although STCC's AFR for the fiscal year ended June 30, 2009, was due to LCTCS by August 25, 2009, the AFR was not submitted to LCTCS until September 14, 2009. In addition, STCC was not able to provide documentation supporting the agreement of its general ledger to certain financial statement accounts until March 2010. Also, STCC did not provide adequate support for the Statement of Cash Flows amounts until May 2010.

A review of STCC's financial statements and notes included the following errors and omissions:

<u>Statement of Net Assets and Related Note Disclosures</u>

- Capital assets, net, were understated by $2,930,420 because of the following:

    - A building and a parcel of land with a combined value of $2,517,376 and the corresponding depreciation of $53,934 were not reported in the AFR.

    - A building improvement with a value of $381,634 and the corresponding depreciation of $9,541 were not reported in the AFR.

    - Equipment was understated by $94,885 because the supporting depreciation schedule used was incomplete and inaccurate, did not account for cost changes of certain items, omitted current year depreciation for all items purchased in fiscal year 2008, and excluded some items purchased in fiscal year 2009.

- Accounts payable were overstated by $814,249 for Pell Grant Program tuition transfers that occurred during fiscal year 2009. STCC incorrectly reduced federal nonoperating revenues instead of accounts payable.

- Deferred revenues were understated by $458,434 for a state grant received in fiscal year 2009 in advance of expenses incurred.

- The net assets - restricted expendable account was overstated by $328,540. STCC did not make necessary changes to this account for current year activity and reported the same amounts as reported in the prior year AFR.

- Receivables and accounts payable were overstated by $204,649 for interfund transactions that were not properly eliminated.

<u>Statement of Revenues, Expenses, and Changes in Net Assets</u>

- Capital grants and gifts were understated by $2,517,376 for a building and land transferred to STCC that were not reported in the AFR.

- Operating expenses were understated by $885,557. Expense transactions that should have been classified to operating expenses were classified to other nonoperating expenses resulting in a reduction of nonoperating revenue reported in the AFR.

- Federal nonoperating revenues were understated by $814,249 for Pell Grant Program transactions that should have reduced payables rather than revenue.

- Tuition and fees revenues were understated by $534,556 and other operating revenues were overstated by the same amount because fees were inappropriately classified as other operating revenues in the AFR.

- State and local grants and contracts were overstated by $458,434 for a grant received in advance of expenses incurred that should have been reported as deferred revenues.

- Other operating revenues were understated by $326,812 for misclassifications included in other nonoperating revenues.

- Nonoperating gifts revenues were understated by $176,021 because STCC reduced gifts instead of other nonoperating revenues when making a reclassification.

- Capital appropriations were understated by $166,579 for equipment paid on behalf of STCC by the Office of Facility Planning.

Management has not placed sufficient emphasis on controls over financial reporting to ensure that the AFR is properly prepared and reviewed to eliminate errors and omissions. Failure to ensure accurate preparation of the AFR could result in undetected errors or fraud and could delay the compilation and submission of the LCTCS AFR to the Office of Statewide Reporting and Accounting Policy.

STCC should establish policies and control procedures over financial operations to ensure that its AFR is properly prepared and reviewed timely to identify and correct errors before submitting it to LCTCS. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Ineffective Controls Over Reconciliation of Federal Cash

STCC did not adequately reconcile the federal cash account at fiscal year end June 30, 2009, and did not provide adequate support for certain adjustments to the accounting records. Good internal controls require that monthly bank statements should be reconciled to the accounting records timely and documentation be maintained to support each adjusting journal entry.

Audit procedures performed on federal cash identified the following deficiencies:

- STCC management could not provide support for adjusting entries made at year-end totaling $832,829 to cash. These entries were made by management to adjust ending book balance as recorded on STCC's bank reconciliation. Audit procedures performed determined the following:

    - $814,249 of the entries appropriately reduced cash but inappropriately reduced federal nonoperating revenue rather than reducing federal payables.

    - $7,778 of the entries inappropriately reduced cash and inappropriately reduced federal nonoperating revenues by $7,748 and investment income by $30.

    - The remaining $10,802 could not be supported timely by management or audit procedures.

- Certain reconciling items identified by STCC on the federal bank reconciliations were incomplete and inaccurate. As a result, the federal cash balance of $10,185 at June 30, 2009, could not be substantiated by STCC and the auditor was unable to determine the proper classification of funds (due to the federal government, due to other funds within STCC, or due to students).

- STCC reconciled to the bank balance at June 26, 2009, rather than June 30, 2009. As a result of STCC using the incorrect year end balance, cash was understated by $7,778, as mentioned previously.

Management has not placed sufficient emphasis on controls over federal cash bank reconciliations. STCC did not have controls established to ensure that adjustments were properly supported or that the receipt and disbursement of Pell Grant Program, Academic Competitiveness Grant, and student loan funds were properly reconciled. Failure to perform adequate reconciliations and maintain supporting documentation increases the risk that (1) fraud and errors could occur and not be detected in a timely manner; (2) STCC's financial statements are misstated; and (3) STCC is in noncompliance with federal regulations.

STCC should ensure that the reconciliation of the federal cash account is performed properly and in a timely manner (monthly) and supporting documentation is maintained for each adjusting journal entry. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Inadequate Controls Over Student Receivables

STCC did not establish adequate control procedures over student receivables. Good internal controls include an effective reconciliation and review process to ensure accuracy and completeness of student receivables. STCC policy number 5.005 states that write-offs of delinquent accounts shall be made at the end of no more than the third year. At June 30, 2009, gross student receivables total $233,199 with an allowance for doubtful accounts totaling $119,157.

Audit procedures performed on student receivables identified the following deficiencies:

- Four (14%) of 28 student accounts tested had a receivable balance that was not recognized in the financial records. The unrecorded receivable balances for the four students totaled $2,504.

- At June 30, 2009, based on policy, STCC should have written off delinquent student receivables gross and the allowances for doubtful accounts by $31,000 for accounts from fiscal year 2005 and 2006.

STCC did not have procedures established to ensure that the enrollment data for students that enrolled after the regular registration process (drop/add/late registration period) is reconciled to the payment data or receivable data. This reconciliation process would ensure that all students enrolled have either paid or have an outstanding receivable balance. In addition, STCC did not have procedures to identify and write off delinquent accounts by the end of the third year. Failure to provide adequate controls over student receivables increases the risk that (1) fraud and/or errors could occur and remain undetected; (2) management will not be able to identify and/or collect all monies owed to STCC; and (3) the financial records could be misstated.

> Management of the college should establish control procedures over student receivables to ensure that accounting records are analyzed and reconciled periodically and delinquent accounts are written off in accordance with STCC policy. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-7).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the control deficiencies described in Inaccurate Financial Reporting and Ineffective Controls Over Reconciliation of Federal Cash are considered to be material weaknesses.

We did not audit SOWELA's responses to the findings, which are included in Appendix A, and, accordingly, we express no onion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SOWELA Technical Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of SOWELA Technical Community College management, the Louisiana Community and Technical College System, the Louisiana Community and Technical College System Board of Supervisors, others within the entity, 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LBL:BH:EFS:PEP:dl

SOWELA 2009

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

SOWELA
TECHNICAL COMMUNITY COLLEGE

Andrea Lewis Miller, Ph.D.
Chancellor

June 2, 2010

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding – Inaccurate Financial Reporting

Dear Mr. Purpera:

Enclosed please find an official response to Sowela Technical Community College's audit finding referenced above. The response includes all of the required elements as indicated in your letter.

Please feel free to contact me should you have any questions about the response or need additional information.

Sincerely,

Andrea Lewis Miller

Enclosure

3820 Sen. J. Bennett Johnston Ave. • P.O. Box 16950 • Lake Charles, LA 70616 • 800.256.0483 • 337.491.2698 • Fax: 337.491.2610 • www.sowela.edu
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Inaccurate Financial Reporting

Management of Sowela Technical Community College concurs with the annual financial report (AFR) finding related to inaccurate financial reporting.

Management also agrees that the AFR, due on August 25, 2009, was submitted on September 14, 2009. Management of Sowela recognizes its responsibility for timely and accurate reporting of the financial position of the College and takes this responsibility very seriously. Because of these responsibilities, management has worked diligently to enhance the current process to ensure that future AFRs are accurate and submitted in a timely manner.

To ***ensure*** that the fiscal year 2010 AFR is accurate and submitted in a timely manner, management has done the following:

1) Interviewed individuals and has plans to hire a Controller to replace the Director of Finance. Additionally, the College has hired a full time person whose primary responsibility is the preparation of bank reconciliations.
2) Contracted to engage a CPA firm to assist with the compilation of the AFR to further help identify and correct errors before submitting the document to the Louisiana Community and Technical College System (LCTCS). The planned completion date is August 16, 2010, when the AFR is due to the LCTCS.
3) Contracted with a PeopleSoft nVision software developer who spent several weeks configuring the software to make for ease of reporting. The reports were configured utilizing data from the fiscal year 2008 AFR and audited statements, since the fiscal year 2009 audit was not complete. Management is seeking to revise the reporting configuration to tie with the audited fiscal year 2009 financial statements.
4) Contacted the LCTCS to ensure that staff persons from Sowela receive PeopleSoft training from System office staff that will ultimately enhance timely and accurate AFR preparation.

The College appreciates all the work of the auditors and we know, as a result of the findings, that our financial processes will be greatly enhanced to ensure the accuracy and timely completion of the AFR.

The individual responsible for ensuring compliance with the actions above is the Vice Chancellor for Finance and Administration.

SOWELA
TECHNICAL COMMUNITY COLLEGE

Andrea Lewis Miller, Ph.D.
Chancellor

May 18, 2010

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding – Ineffective Controls over Reconciliation of Federal Cash

Dear Mr. Purpera:

Enclosed please find an official response to Sowela Technical Community College's audit finding referenced above. The response includes all of the required elements as indicated in your letter.

Please feel free to contact me should you have any questions about the response or need additional information.

Sincerely,

Andrea Lewis Miller

ALM/aao

Enclosure

xc: Angele Ozoemelam, MBA, CPA, Vice Chancellor for Finance and Administrative Services, SOWELA
Barrett Hunter, CPA, Audit Manager, Louisiana Legislative Auditor

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Ineffective Controls over Reconciliation of Federal Cash

Management of Sowela Technical Community College concurs with the finding and recommendations.

Management has revised its bank reconciliation procedures to that all bank accounts are reconciled timely, and all un-reconciled differences are researched and addressed. Management has hired personnel whose primary responsibility is to reconcile bank accounts in a timely fashion. A corrective action plan has been instituted as follows:

1. Each bank statement is date stamped, copied and originals placed in a binder.
2. Bank reconciliation support is gathered through the financial management system (PeopleSoft) queries, which include disbursements and receipts journals, etc. This information is utilized to prepare the bank reconciliation.
3. Copies of these documents, including the bank statement, are maintained in a reconciliation binder.
4. If any un-reconciled differences exist, other Business Office personnel responsible for tasks that affect the bank accounts, are pulled into the process to effectively reconcile the difference.

Persons Responsible

Controller – Responsible for the timely completion of monthly bank reconciliations.

Anticipated completion date: July, 2010

SOWELA
TECHNICAL COMMUNITY COLLEGE

Andrea Lewis Miller, Ph.D.
Chancellor

May 13, 2010

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding - Inadequate Controls over Student Receivables

Dear Mr. Purpera:

Enclosed please find an official response to Sowela Technical Community College's audit finding referenced above. The response includes all of the required elements as indicated in your letter.

Please feel free to contact me should you have any questions about the response or need additional information.

Sincerely,

Andrea Lewis Miller

ALM/aao

Enclosure

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Inadequate Controls over Student Receivables

Management of Sowela Technical Community College concurs with the finding and recommendations.

(A) Management currently generates reports after the late registration period to reveal students who have enrolled and have not completed the registration process by paying their tuition and fees, or by making arrangements for payment. However, reports are not generated after the drop/add period to track student accounts. As such management is in the process of developing a program to ensure that reports are generated after both the drop/add and late registration periods to reveal students who have enrolled and have not completed the registration process by paying their tuition and fees, or by making arrangements for payment.

Persons Responsible
Computer Specialist – Responsible for generating reports from the student information system.

Accounting Specialist II – Responsible for verifying information from report against student receivable listing, and billing and tracking students who have outstanding amounts.

Anticipated completion date: October, 2010

(B) Management will ensure that students who are enrolled in non-credit courses are duly billed. Upon registration with the Office of Economic and Workforce Development students will be required to present registration information to the Business Office and make payments or arrange for payments to be made using the deferred payment procedure if applicable. Upon completion of this process receipts or deferred payment documents will be printed in duplicate. Copies of these documents will be presented to the Office of Economic and Workforce Development on each student. Students for whom these documents have not been presented will not be allowed to commence classes, and will be dropped from the roll, since it will indicate their failure to make payments arrangements.

Persons Responsible
Administrative Specialist III, Workforce Development Unit – Responsible for registration of non-credit seeking students and verification of payment information.

Accounting Specialist II – Responsible for receipting of funds from non-credit seeking students and/or processing of deferred payment documents where applicable.

Accounting Specialist II – Responsible for tracking of student receivables.

Anticipated completion date: October, 2010

(C) Management will review all student receivables at year end and write off all delinquent receivables that are three years and older.

Persons Responsible
Accounting Specialist II – Responsible for reviewing year end student receivables and identifying for write-off all accounts three years and older.

Assistant Director of Finance – Responsible for verifying accounts and processing journal entries to write-off delinquent accounts identified by the Accounting Specialist II.

Anticipated completion date: August, 2010