

LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA



ACCOUNTANT'S REVIEW REPORT  
FOR THE YEAR ENDED JUNE 30, 2008  
ISSUED JANUARY 21, 2009

**LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

November 21, 2008

Accountant's Review Report

**LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Metairie, Louisiana**

We have reviewed the accompanying basic financial statements as listed in the table of contents of Louisiana Technical College - Region 1, a region 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, 2008, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Louisiana Technical College - Region 1.

A review consists principally of inquiries of Louisiana Technical College - Region 1 personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in note 1-B to the basic financial statements, the accompanying financial statements of Louisiana Technical College - Region 1 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 Louisiana Technical College - Region 1. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System or the State of Louisiana as of June 30, 2008, 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1-N to the basic financial statements, Louisiana Technical College - Region 1 implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2008.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these separate events and the resulting damages sustained, it is unknown what economic impact the recovery costs will have on state and local governmental operations in Louisiana. While Louisiana Technical College - Region 1 suffered significant damage from Hurricane Katrina, the Region was able to reopen its Jefferson and West Jefferson campuses in Spring 2006. The Region opened a temporary location in Slidell this fiscal year, but the Region's Sidney Collier campus is still closed. The long-term effects of these events on the Region cannot be determined at this time.

Management's discussion and analysis on pages 5 through 9 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 33 are not required parts of the basic financial statements but are supplementary information required by GASB. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on this supplementary information.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

KML:JR:EFS:PEP:sr

LTCR108

Management's Discussion and Analysis of Louisiana Technical College - Region 1's (LTC - Region 1) financial performance presents a narrative overview and analysis of LTC - Region 1's financial activities for the year ended June 30, 2008. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with LTC - Region 1's financial statements, which begins on page 11.

### FINANCIAL HIGHLIGHTS

LTC - Region 1's net assets overall changed from \$5,922,757 to \$4,777,579 or 19% from June 30, 2007, to June 30, 2008. The overall reason for this change was a reduction in operating revenue primarily from grants.

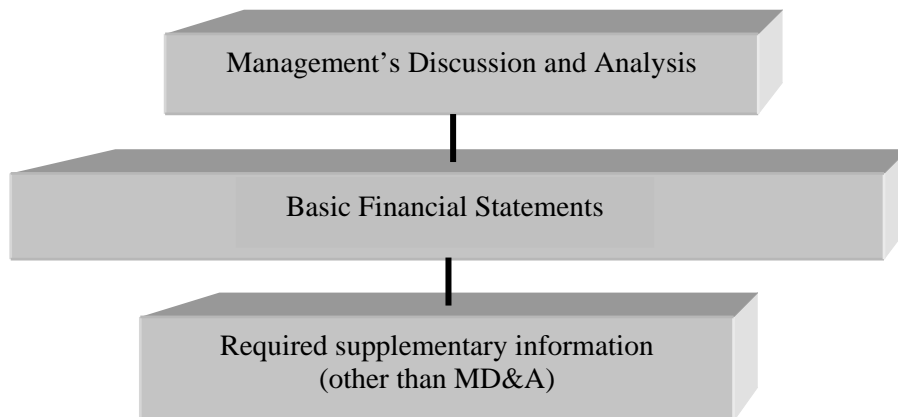
Enrollment changed from 1,825 to 2,308 from June 30, 2007, to June 30, 2008, a change of 26%. The reason for this change is attributed to the steady increase in students returning since the devastating impact of Hurricane Katrina and new programs being offered.

LTC - Region 1's operating revenues decreased from \$4,558,741 to \$2,216,632 or 51% from June 30, 2007, to June 30, 2008. The decrease is related to a reduction in grants. Operating expenses also increased by 11% to \$8,527,457 for the year ended June 30, 2008. The changes in enrollment as discussed above and the hiring of additional teachers and staff to accommodate the increasing number of students are the primary reasons for this increase in expenses.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$5,169,479 in 2008 from \$3,544,807 in 2007 is attributed to an increase in state appropriations of \$1,692,000.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and other required supplementary information.

### **Basic Financial Statements**

The basic financial statements present information for LTC - Region 1 as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 11) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of LTC - Region 1 is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 13-14) presents information showing how LTC Region 1's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 15-16) presents information showing how LTC - Region 1's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about LTC - Region 1's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements.

LTC - Region 1's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the LTC - Region 1 are included in the Statement of Net Assets.

**FINANCIAL ANALYSIS**

**Statement of Net Assets  
As of June 30, 2008, and June 30, 2007  
(in thousands)**

	Total	
	2008	2007
Current and other assets	\$1,949	\$3,693
Capital assets	3,579	3,709
Total assets	5,528	7,402
Current liabilities	92	1,358
Noncurrent liabilities	658	122
Total liabilities	750	1,480
Net assets:		
Invested in capital assets	3,579	3,709
Restricted	270	210
Unrestricted	929	2,003
Total net assets	\$4,778	\$5,922

This schedule is prepared from LTC - Region 1's Statement of Net Assets as shown on page 11, which is presented on an accrual basis of accounting. Significant Statement of Net Assets changes from 2008 include a reduction in current payables and receivables.

Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the amount of any outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2008 and June 30, 2007**  
(in thousands)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Student tuition and fees, net	\$207	\$253
Grants and contracts	1,901	3,987
Other	109	318
Total operating revenues	<u>2,217</u>	<u>4,558</u>
Operating expenses:		
Education and general:		
Instruction	3,727	2,625
Academic support	660	813
Student services	406	469
Institutional support	2,198	843
Operations and maintenance of plant	849	565
Depreciation	168	209
Scholarships and fellowships	417	2,184
Other operating expenses	102	
Total operating expenses	<u>8,527</u>	<u>7,708</u>
Operating loss	<u>(6,310)</u>	<u>(3,150)</u>
Nonoperating revenues (expenses):		
State appropriations	5,143	3,451
Other nonoperating revenues	26	94
Net nonoperating revenues	<u>5,169</u>	<u>3,545</u>
Income (loss) before other revenues, expenses, gains, losses	<u>(1,141)</u>	<u>395</u>
Other deductions	<u>(4)</u>	
Change in net assets	<u>(1,145)</u>	<u>395</u>
Net assets at the beginning of the year	<u>5,923</u>	<u>5,528</u>
Net assets at the end of the year	<u>\$4,778</u>	<u>\$5,923</u>

Nonoperating revenues increased by 46% to \$5,169,479, primarily attributable to an increase in state appropriations. State appropriations changed from \$3,450,941 to \$5,143,114 because of the increase in faculty and staff to accommodate increased enrollment. LTC - Region 1's operating revenues decreased by \$2,342,109 or 51%.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2008, LTC - Region 1 had invested \$3,579,373 in capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals, net of depreciation) of \$130,157 or 3% over the previous fiscal year. More detailed information about LTC - Region 1's capital assets is presented in note 4 to the financial statements.

**Capital Assets at Year-end  
(Net of Depreciation, in thousands)**

	2008	2007
Land	\$1,949	\$1,949
Buildings	1,455	1,587
Equipment	175	173
Total	\$3,579	\$3,709

There were no major additions this year.

**Long-term Obligations**

LTC - Region 1 had \$658,335 in outstanding long-term obligations at year-end, compared to \$121,893 last year, an increase of 440% as shown in the table below. The increase is due to the recognition of a liability in the current year for other postemployment benefits.

**Outstanding Long-term Obligations at Year-end  
(in thousands)**

	2008	2007
Compensated absences	\$220	\$122
Other postemployment benefits payable	438	
Total	\$658	\$122

See note 11 for details relating to changes in and the composition of long-term liabilities.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

LTC - Region 1 opened a temporary location in Slidell this fiscal year. The original campus has been closed since Hurricane Katrina. The opening of the temporary Slidell campus as well as the offering of additional programs at both the Jefferson campus and the West Bank campus should result in the enrollment of additional students. In addition, it is anticipated that the Board of Regents will formally approve an increase in tuition, which should result in additional revenue to the LTC - Region 1.

**CONTACTING LTC - REGION 1 MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of LTC - Region 1's finances and to show LTC - Region 1's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ronald L. Rodriguez, Assistant Vice-Chancellor/Controller, Delgado Community College at (504) 762-3021.

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**LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Assets  
June 30, 2008**

**ASSETS**

Current assets:

Cash (note 2)	\$1,746,099
Receivables (note 3)	169,874
Deferred charges and prepaid expenses	32,619
Total current assets	<u>1,948,592</u>

Noncurrent assets - capital assets, net (note 4)

3,579,373

    Total assets

5,527,965

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities (note 8)	8,801
Deferred revenues	47,321
Compensated absences payable (notes 9 and 11)	11,061
Amounts held in custody for others (note 11)	24,868
Total current liabilities	<u>92,051</u>

Noncurrent liabilities:

Compensated absences payable (notes 9 and 11)	220,163
Other postemployment benefits payable (notes 7 and 11)	438,172
Total noncurrent liabilities	<u>658,335</u>
Total liabilities	<u>750,386</u>

**NET ASSETS**

Invested in capital assets	3,579,373
Restricted - expendable (note 12)	269,810
Unrestricted	<u>928,396</u>

**TOTAL NET ASSETS**

\$4,777,579

See accompanying notes and accountant's review report.

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**LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Year Ended June 30, 2008**

**OPERATING REVENUES**

Student tuition and fees	\$958,734
Less scholarship allowances	(751,810)
Net student tuition and fees	<u>206,924</u>
Federal grants and contracts	1,018,974
State and local grants and contracts	882,012
Other operating revenues	<u>108,722</u>
Total operating revenues	<u>2,216,632</u>

**OPERATING EXPENSES**

Education and general:	
Instruction	3,726,782
Academic support	660,451
Student services	405,790
Institutional support	2,197,879
Operations and maintenance of plant	848,845
Depreciation	168,437
Scholarships and fellowships	416,825
Auxiliary enterprises	70,538
Other operating expenses	<u>31,910</u>
Total operating expenses	<u>8,527,457</u>

**OPERATING LOSS** (6,310,825)

(Continued)

See accompanying notes and accountant's review report.

**LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses,  
and Changes in Net Assets, 2008**

<b>NONOPERATING REVENUES</b>	
State appropriations	\$5,143,114
Interest income	20,400
Other nonoperating revenues	5,965
Total nonoperating revenues	<u>5,169,479</u>
<b>LOSS BEFORE OTHER DEDUCTIONS</b>	(1,141,346)
Other deductions	<u>(3,832)</u>
<b>DECREASE IN NET ASSETS</b>	(1,145,178)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>5,922,757</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$4,777,579</u></u>

(Concluded)

See accompanying notes and accountant's review report.

**LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Year Ended June 30, 2008**

**Cash Flows From Operating Activities:**

Tuition and fees	\$1,955,515
Grants and contracts	2,968,210
Payments for employee compensation	(3,910,594)
Payments for benefits	(474,202)
Payments for utilities	(315,422)
Payments for supplies and services	(4,316,149)
Other receipts	<u>108,722</u>
<b>Net cash used by operating activities</b>	<u><u>(3,983,920)</u></u>

**Cash Flows From Noncapital Financing Activities:**

State appropriations	5,143,114
Other receipts	<u>5,965</u>
<b>Net cash provided by noncapital financing sources</b>	<u><u>5,149,079</u></u>

**Cash Flows From Capital and Related Financing Activities:**

Purchases of capital assets	<u>(42,110)</u>
<b>Net cash used by capital financing activities</b>	<u><u>(42,110)</u></u>

**Cash Flows From Investing Activities:**

Interest received on deposits	<u>20,400</u>
<b>Net cash provided by investing activities</b>	<u><u>20,400</u></u>

**Net increase in cash** 1,143,449

**Cash at beginning of year** 602,650

**Cash at end of year** \$1,746,099

(Continued)

See accompanying notes and accountant's review report.

**LOUISIANA TECHNICAL COLLEGE - REGION 1  
 LOUISIANA COMMUNITY AND  
 TECHNICAL COLLEGE SYSTEM  
 STATE OF LOUISIANA  
 Statement of Cash Flows, 2008**

**Reconciliation of Operating Loss to**

**Net Cash Used by Operating Activities:**

Operating loss	(\$6,310,825)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	168,437
Changes in assets and liabilities:	
Decrease in accounts receivable, net	2,869,729
Decrease in inventories	31,512
(Increase) in deferred charges and prepaid expenses	(13,532)
(Decrease) in accounts payable and accrued liabilities	(1,145,413)
(Decrease) in deferred revenue	(53,783)
(Decrease) in amounts held in custody for others	(129)
Increase in compensated absences	31,912
Increase in other postemployment benefits payable	438,172
	<hr/>
<b>Net cash used by operating activities</b>	<b><u><u>(\$3,983,920)</u></u></b>

(Concluded)

See accompanying notes and accountant's review report.

## INTRODUCTION

Louisiana Technical College - Region 1 (LTC - Region 1) is one of nine Louisiana technical college regions in the state. LTC - Region 1 is comprised of four technical colleges (LTC) located in the Greater New Orleans Metropolitan area. LTC - Region 1's campuses are LTC-Jefferson, LTC-West Jefferson, LTC-Slidell, and LTC-Sidney Collier. All campuses are publicly supported institutions of higher education and part of the Louisiana Community and Technical College System (LCTCS), which is a component unit of the State of Louisiana, within the executive branch of government. LTC - Region 1 is under the management and supervision of the Board of Supervisors of the LCTCS; however, certain items such as the annual budget of LTC - Region 1 and changes to the degree programs and departments of instruction require the approval of the Board of Regents for Higher Education. As they are state technical colleges, operations of LTC - Region 1's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature. The chief executive officer of LTC - Region 1 is the provost/dean.

The LTC-Jefferson campus is located in Metairie, Louisiana, a suburb of New Orleans. The LTC-West Jefferson campus is located in Harvey, Louisiana, on the Westbank of Jefferson Parish. The LTC-Sidney Collier campus is currently closed because of heavy damage sustained from Hurricane Katrina in 2005. The LTC-Slidell campus sustained heavy damage from Hurricane Katrina and remains closed, but the region opened an Instructional Service Center in the Slidell area in August 2008.

Student enrollment for LTC - Region 1 at June 30, 2008, is 2,308 and LTC - Region 1 employs approximately nine full-time faculty members.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. 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 in accordance with such principles.

#### B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. LTC - Region 1 is part of the LCTCS, which is considered a discretely presented 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 LTC - Region 1.

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

### **C. BASIS OF ACCOUNTING**

For financial reporting purposes, LTC - Region 1 is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, LTC - Region 1'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. All significant intra-college transactions have been eliminated.

LTC - Region 1 has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. LTC - Region 1 has elected not to apply FASB pronouncements issued after the applicable date.

### **D. BUDGET PRACTICES**

The State of Louisiana's appropriation to LTC - Region 1 is an annual lapsing appropriation established by legislative action and by 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 capital leases are not budgeted.

During the fiscal year, a reallocation of self-generated revenues increased that amount by \$200,000. The other funds of LTC - Region 1, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

### **E. CASH**

Cash includes cash on hand and interest-bearing demand deposits. Under state law, LTC - Region 1 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, LTC - Region 1 may invest in certificates of deposit of state banks

organized under Louisiana law and national banks having their principal offices in Louisiana.

**F. 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, LTC - Region 1's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Building 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 is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. Library collections regardless of age, with a total acquisition value of \$5,000,000 or more, will be capitalized and depreciated. LTC - Region 1's library acquisitions do not meet the \$5,000,000 criteria and therefore are expensed in the year purchased. LTC - Region 1 does not have infrastructure.

**G. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees received prior to the end of the fiscal year, which are related to a subsequent accounting period.

**H. 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 nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation 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 for the Louisiana Teachers' Retirement System and the Louisiana State Employees' Retirement System but not for the Optional Retirement System.

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 classified employee's hourly rate of pay at termination or transfer.

**I. NONCURRENT LIABILITIES**

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

**J. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

- (a) Invested in capital assets consists of LTC - Region 1's total investment in capital assets, net of accumulated depreciation.
- (b) Restricted - expendable consists of resources that LTC - Region 1 is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (c) Unrestricted consists of resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of LTC - Region 1 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, LTC - Region 1's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

**K. CLASSIFICATION OF REVENUES**

LTC - Region 1 has classified its revenues as either operating or nonoperating according to the following criteria:

- (a) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts and federal appropriations.

- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

**L. 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 are the difference between the stated charge for services (tuition and fees) provided by LTC - Region 1 and the amount that is paid by students and/or third parties making payments on the students' behalf.

**M. ELIMINATING INTERFUND ACTIVITY**

All activities among departments and auxiliary units of LTC - Region 1 are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

**N. ADOPTION OF NEW ACCOUNTING PRINCIPLES**

For the year ended June 30, 2008, LTC - Region 1 implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*. Statement No. 45 affects the reporting of long-term liabilities and is addressed in the financial statements and the accompanying notes. The measurement and recognition requirements of this statement have been applied on a prospective basis. The implementation of Statement No. 50 had no significant impact on the financial statements or notes.

**O. 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.

**2. CASH**

At June 30, 2008, LTC - Region 1 has cash (book balances) of \$1,746,099 as follows:

Petty cash	\$800
Demand deposits	<u>1,745,299</u>
Total	<u><u>\$1,746,099</u></u>

Custodial credit risk is the risk that in the event of a bank failure, LTC - Region 1'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 fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2008, LTC - Region 1 has \$3,224,173 in deposits (collected bank balances), which were secured from risk by federal deposit insurance plus pledged securities held in LTC - Region 1's name.

**3. RECEIVABLES**

Receivables, all of which are scheduled for collection within one year, are shown on the Statement of Net Assets. There were no provisions of an allowance for doubtful accounts.

Student tuition and fees	\$27,912
Federal, state, and private grants and contracts	<u>141,962</u>
Total	<u><u>\$169,874</u></u>

**4. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2008, follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets not being depreciated - land	\$1,949,001	NONE	NONE	\$1,949,001
Other capital assets:				
Buildings	\$7,237,895			\$7,237,895
Less accumulated depreciation	(5,650,317)	(\$132,795)		(5,783,112)
Total buildings	1,587,578	(132,795)	NONE	1,454,783
Equipment	839,184	42,109	(\$68,721)	812,572
Less accumulated depreciation	(666,233)	(35,642)	64,892	(636,983)
Total equipment	172,951	6,467	(3,829)	175,589
Total other capital assets	\$1,760,529	(\$126,328)	(\$3,829)	\$1,630,372
Capital asset summary:				
Capital assets not being depreciated	\$1,949,001			\$1,949,001
Other capital assets, at cost	8,077,079	\$42,109	(\$68,721)	8,050,467
Total cost of capital assets	10,026,080	42,109	(68,721)	9,999,468
Less accumulated depreciation	(6,316,550)	(168,437)	64,892	(6,420,095)
Capital assets, net	\$3,709,530	(\$126,328)	(\$3,829)	\$3,579,373

## 5. PENSION PLANS

*Plan Description.* Substantially all employees of LTC - Region 1 are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension 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 with employee benefits vesting 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 for the retirement systems. 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 by calling (225) 922-0600.

*Funding Policy.* The contribution requirements of employee plan members and LTC - Region 1 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 R.S. 11:102. Employees contribute 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 16.6% of covered salaries to TRSL and 20.4% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to LTC - Region 1, funds LTC Region 1's employer contribution. LTC - Region 1's employer contributions were \$258,255 to TRSL and \$87,845 to LASERS for the year ended June 30, 2008, which were equal to the required contributions for the 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 program was designed to aid universities 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 sets 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 LTC - Region 1 are 16.6% of the covered payroll for fiscal year 2008. The participant's contribution (8%), 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 the 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 obligations 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 \$7,849 and \$3,783, respectively, for the year ended June 30, 2008.

## **7. OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description*--Employees of LTC - Region 1 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 provide 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](http://www.doa.la.gov/osrap).

*Funding Policy*--The contribution requirements of plan members and LTC - Region 1 are established and may be amended by R.S. 42:801-883. Employees do not contribute to their post employment 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. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans: three HMO plans and three private fee-for-service (PFFS) plans. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO Plan, and Vantage Statewide HMO-Point-of-Service Plan. The three private fee-for-service plans are Humana Statewide PFFS Plan, Universal American/Today's Option Statewide PFFS Plan, and United Healthcare/Secure Horizons Statewide PFFS Plan. Depending upon the plan selected, during fiscal year 2008, employee premiums for a single member receiving benefits range from \$34 to \$92 per month for retiree-only coverage with Medicare or from \$126 to \$170 per month for retiree-only coverage without Medicare. The fiscal year 2008 employee premiums for a retiree with spouse, children, or family coverage range from \$69 to \$452 per month for those with Medicare and from \$181 to \$496 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis with LTC - Region 1 contributing from \$103 to \$237 per month for retiree-only coverage with Medicare or from \$809 to \$842 per month for retiree-only coverage without Medicare during fiscal year 2008. Also, LTC - Region 1's contributions range from \$207 to \$1,168 per month for retiree with spouse, children, or family coverage with Medicare or from \$860 to \$1,293 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 monthly 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*--LTC - Region 1's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which is being implemented prospectively 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 liability (UAAL) over a period of 30 years. A 30-year closed

amortization period had been used. The total ARC for fiscal year 2008 is \$1,061,700 as set forth below:

Normal cost	\$318,000
30-year UAAL amortization amount	506,712
Interest	<u>32,988</u>
Annual required contribution (ARC)	<u><u>\$857,700</u></u>

The following schedule presents LTC - Region 1's OPEB obligation for fiscal year 2008:

Annual required contribution	\$857,700
Interest on net OPEB obligation	NONE
ARC adjustment	<u>NONE</u>
OPEB cost	857,700
Contributions made -	
current year retiree premiums	<u>(419,528)</u>
Change in net OPEB obligation	438,172
Beginning net OPEB obligation at July 1, 2007	<u>NONE</u>
Ending net OPEB obligation at June 30, 2008	<u><u>\$438,172</u></u>

Using the pay-as-you-go method, LTC - Region 1 contributed 48.9% of the annual post-employment benefits cost during 2008.

*Funded Status and Funding Progress*--During fiscal year 2008, neither LTC - Region 1 nor the State of Louisiana made contributions to a postemployment benefits plan trust. A trust was established July 1, 2008. Hence, the funded ratio is zero. Since the plan was not funded, LTC - Region 1's entire actuarial accrued liability of \$13,260,000 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2007, was as follows:

Actuarial accrued liability (AAL)	\$13,260,000
Actuarial value of plan assets	<u>NONE</u>
Unfunded AAL	<u><u>\$13,260,000</u></u>
Funded ration (actuarial value of plan assets/AAL)	0%
Covered payroll	\$3,180,945
UAAL as a percentage of covered payroll	417%

*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, 2007, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 9.5% and 10.6% 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 as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, is 29 years.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following is a summary of LTC - Region 1's accounts payable and accrued liabilities at June 30, 2008:

<u>Account Name</u>	
Vendor payables	\$4,900
Other payables	<u>3,901</u>
Total payables	<u><u>\$8,801</u></u>

**9. COMPENSATED ABSENCES**

At June 30, 2008, employees of LTC - Region 1 have accumulated and vested annual leave, sick leave, and compensatory leave of \$138,825; \$74,215; and \$18,184, respectively. These balances were computed in accordance with GASB Codification Section C60.105. The leave payable is recorded in the accompanying financial statements.

**10. LEASE OBLIGATIONS**

**Operating Leases**

For the year ended June 30, 2008, the total rental expense for all operating leases is \$4,900. The LTC - Region 1 lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make for its continuation during any future fiscal period. The following is a schedule by years of future minimum annual rental payments required under operating leases:

<u>Fiscal Year</u>	<u>Office Space</u>
2009	\$58,800
2010	<u>53,900</u>
Total minimum payments required	<u><u>\$112,700</u></u>

LTC - Region 1 has no capital leases.

**11. CHANGES IN LONG-TERM LIABILITIES  
(CURRENT AND NONCURRENT PORTION)**

The following is a summary of long-term liability transactions of LTC - Region 1 for the year ended June 30, 2008:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$199,312	\$103,847	(\$71,935)	\$231,224	\$11,061
Amounts held in custody for others	24,997		(129)	24,868	24,868
Other postemployment benefits payable		<u>857,700</u>	<u>(419,528)</u>	<u>438,172</u>	
Total long-term liabilities	<u>\$224,309</u>	<u>\$961,547</u>	<u>(\$491,592)</u>	<u>\$694,264</u>	<u>\$35,929</u>

**12. RESTRICTED NET ASSETS**

LTC - Region 1 has restricted - expendable net assets at June 30, 2008, totaling \$269,810 as a result of student technology fees. This entire amount is restricted by enabling legislation.

**13. CONTINGENT LIABILITIES AND RISK MANAGEMENT**

LTC - Region 1 is not involved in any lawsuits at June 30, 2008. 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 2008, no direct claims or litigation costs were incurred by LTC - Region 1.

**14. DEFERRED COMPENSATION PLAN**

Certain employees of LTC - Region 1 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 on the Internet at [www.la.la.gov](http://www.la.la.gov).

**15. IMPAIRMENT OF CAPITAL ASSETS**

LTC - Region 1 was damaged by Hurricane Katrina in August 2005. GASB 42 established accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

The carrying amount of impaired capital assets that are idle at year-end should be disclosed, regardless of whether the impairment is considered permanent or temporary. Buildings with a carry value of \$230,385 were idle at the end of the fiscal year.

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**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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**LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA**

**Schedule of Funding Progress for the  
Other Postemployment Benefits Plan  
Fiscal Year Ended June 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	\$13,260,000	\$13,260,000	0.0%	\$3,180,945	417%

**Note to the Schedule:**

GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only one year of information is presented.

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# Management Letter





LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

November 21, 2008

**LOUISIANA TECHNICAL COLLEGE - REGION 1  
LOUISIANA COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
STATE OF LOUISIANA  
Metairie, Louisiana**

We have reviewed the financial statements of Louisiana Technical College - Region 1, as of and for the year ended June 30, 2008, and have issued our accountant's review report thereon dated November 21, 2008. Louisiana Technical College - Region 1 is a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana. Louisiana Technical College - Region 1's accounts are an integral part of the Louisiana Community and Technical College System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. A review is substantially less in scope than an audit conducted 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, the objective of which is the expression of an opinion regarding the basic financial statements. Accordingly, we did not express such an opinion in our accountant's review report referred to previously.

Our review of the financial statements did not disclose any transactions entered into by Louisiana Technical College - Region 1 during the year that were both significant and unusual or transactions for which there is a lack of authoritative guidance.

For purposes of this letter, a disagreement with management is defined as a matter, whether or not resolved to our satisfaction, concerning a financial accounting or reporting matter that could be significant to Louisiana Technical College - Region 1's financial statements or the accountant's report. No such disagreements arose during our review procedures.

Because our review procedures were substantially less in scope than an audit in accordance with *Government Auditing Standards*, identifying matters affecting Louisiana Technical College - Region 1's internal control, compliance with applicable laws and regulations, and operational efficiencies was not an objective of our procedures. Accordingly, our review procedures cannot be relied upon to disclose errors, fraud, or illegal acts that may exist.

Based on our review referred to previously, all significant findings are included in this letter for management's consideration.

### **Inadequate Control Over Pell Grant Returns**

Louisiana Technical College (LTC) - Region 1 has inadequate internal control over returns of overpayments of the Federal Pell Grant program (CFDA 84.063). The Code of Federal Regulations (34 CFR 668.22) requires that a refund of Pell funds be made as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew. Furthermore, 34 CFR 668.21 requires that an institution return overpayments resulting from Pell checks issued but not picked up by students who subsequently withdrew, dropped out, or were expelled before the first day of class. LTC policy requires each campus to submit a void form and the original check to be voided for each student that does not pick up his/her Pell check within 30 days of the check date.

Pell refunds and returns of overpayments are initiated at the individual LTC campuses and sent to the LTC Transition Office, which then credits the Pell account and remits the funds to the U.S. Department of Education (USDOE). In a review of all Pell check voids initiated at Region 1 during fiscal year 2008, the following problems were noted:

- Of seven voided Pell checks resulting from student withdrawals, five (71%) totaling \$8,892 were not remitted to the LTC Transition Office until 70 to 270 days after the check date. As a result, the returns were not remitted to the USDOE until 138 to 287 days after the reported date of determination of the students' withdrawal for an average of 194 days.
- Of seven Pell checks voided from students not picking up their checks, five (71%) totaling \$1,382 were not remitted to the LTC Transition Office until 168 days after the check date. As a result, the returns were not remitted to the USDOE until 225 days after the checks were issued. In addition, the reported date of determination of the students' withdrawal for these voided checks was 56 days after the check issue date.

These deficiencies occurred because Region 1 personnel responsible for these transactions were unaware of the program regulations and LTC policies and management did not place sufficient emphasis on this matter. Failure to adequately control returns of Pell overpayments results in noncompliance with federal program requirements.

Region 1 management should train personnel and enforce existing policies to ensure that returns of overpayments from voided Pell checks are remitted timely to the LTC Transition Office and the USDOE. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

## Failure to Follow Movable Property Procedures

LTC - Region 1 failed to follow state movable property laws and regulations and internal policies and procedures relating to movable property. Good internal control requires that adequate control procedures be in place to ensure that the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; property is safeguarded against loss; and movement of items from one location to another is properly recorded. Movable property regulations as defined in Title 34, Part VII of the Louisiana Administrative Code, require all acquisitions of qualified property be tagged and pertinent information entered into the Louisiana Property Assistance Agency's (LPAA) property management system within 60 days of receipt of the property. In addition, all Region 1 employees are required to follow the Region's Faculty and Staff Manual, Section 6.5 Property Location, which outlines the policies and procedures used to record and maintain accurate inventory for all state property purchased by Region 1.

Audit procedures performed on 80 movable property items disclosed 40 exceptions as noted below:

- For eight items (10%) totaling \$28,562, removed from the asset listing, forms to remove these items from the listing were not provided to the auditors.
- Seven items (9%) totaling \$47,014 could not be located while one item valued at \$2,973 was listed as unlocated when it was not actually lost.
- Thirteen items (16%) totaling \$57,088 were not in the location listed.
- Eight items (10%) totaling \$49,011 were in poor working condition or the working condition could not be determined.
- Three items (4%) totaling \$6,248 were tagged more than 60 days after acquisition.

Of the 40 exceptions, 36 (90%) were from the LTC-West Jefferson campus. As of February 28, 2008, the last inventory certification filed with the LPAA, the campus movable property totaled \$1,867,611.

A property audit dated July 30, 2007, performed by LPAA revealed findings related to the LTC-West Jefferson campus' property records. A summary of those findings are as follows:

- 119 items of 258 (46%) selected for viewing not located
- Items not in the correct location
- At least 20 items not entered into the asset property system within 60 days of receipt, as required
- Required documents were not maintained in property files
- Failure to secure receipts from individuals for property entrusted to others
- Failure to report lost or damaged property to LPAA timely
- Failure to record the true and actual results of the physical inventory conducted for 2006
- Failure to submit property for surplus/disposal in a timely manner
- Missing, unexecuted, and/or unapproved motor vehicle forms
- Fleet forms not entered into asset management system since October 2005
- Failure to keep records or report mileage reimbursement to employees for use of private automobiles for state business

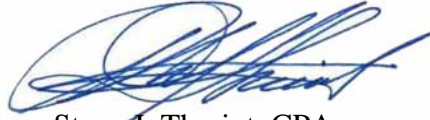
These deficiencies occurred because Region 1 personnel responsible for movable property did not exercise sufficient care in performing their duties and management failed to emphasize the importance of maintaining adequate internal control over movable property records. Failure to follow laws, regulations, policies, and procedures exposes Region 1 to possible loss, theft, reporting errors, and misuse of its assets.

Region 1 management should strengthen procedures to ensure compliance with state property laws and regulations and with internal policies and procedures relating to movable property. Management concurred with the finding and provided corrective action plans (see Appendix A, pages 2-6).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LTC - Region 1. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of LTC - Region 1 should be considered in reaching decisions on courses of action. The findings relating to LTC - Region 1's compliance with applicable laws and regulations should be addressed immediately by management.

This management letter is intended for the information and use of LTC - Region 1 and its management, others within the college, the Louisiana Community and Technical College 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,



Steve J. Theriot, CPA  
Legislative Auditor

KML:JR:EFS:PEP:sr

LTCR108

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





# LOUISIANA TECHNICAL COLLEGE

## OFFICE OF THE PROVOST/DEAN

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**Kim Rugon**  
Provost/Dean

November 13, 2008

### Region 1

Jefferson Campus  
5200 Blair Drive  
Metairie, LA

Sidney N. Collier  
3727 Louisa Street  
New Orleans, LA

Slidell Campus  
1000 Canulette Road  
Slidell, LA

West Jefferson Campus  
475 Manhattan Boulevard  
Harvey, LA

[www.ltc.edu](http://www.ltc.edu)

Steve Theriot, CPA  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804

Dear Mr. Theriot:

In response to your letter dated November 12, 2008 outlining the **Inadequate Control over Pell Grant Returns**, please find this agency's response to the finding as well as the corrective action plan to resolve the issue.

LTC-Jefferson Campus concurs with the findings of inadequate control over Pell grant returns. LTC-Jefferson Campus has actively put together a corrective action plan to ensure that we are in compliance.

The Jefferson Campus has a Business Office Liaison that works closely with the Coordinator of Financial Aid. The Coordinator of Financial Aid will provide the Business Office Liaison a copy of the Request for Payment to cut down on the verification process once the checks are received. The Coordinator will provide training which includes returning all Pell checks that are not picked up within 30 days of the printed date on the checks.

Once the checks are received, copies of the checks and the signature sheets will be provided to the Assistant Controller. The Assistant Controller will follow up with the Business Office Liaison to make sure we are in compliance with Pell grant returns.

The Coordinator of Financial Aid, Business Office Liaison, and the Assistant Controller will have a training session on November 21, 2008 that will include the findings of the audit and the implementation of the corrective plan.

Kimberly Weston, Asst. Controller, will be the contact person responsible for the implementation and monitoring of this corrective action plan.

We are committed to following all rules and regulations set forth by the State of Louisiana and the Department of Education and will continue to strive towards excellence.

If you have any additional concerns or questions, please feel free to contact me.

Sincerely,

Kim Rugon  
Provost

cc Dr. Ron Wright, Chancellor  
Allen Brown, Internal Auditor



# LOUISIANA TECHNICAL COLLEGE

## OFFICE OF THE PROVOST/DEAN

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**Kim Rugon**  
Provost/Dean

November 10, 2008

### Region 1

Jefferson Campus  
5200 Blair Drive  
Metairie, LA

Sidney N. Collier  
3727 Louisa Street  
New Orleans, LA

Slidell Instructional Service  
Center  
56707 Behrman Street, #2  
Slidell, LA

West Jefferson Campus  
475 Manhattan Boulevard  
Harvey, LA

[www.dcc.edu](http://www.dcc.edu)

Steve Theriot, CPA  
Louisiana Legislative Auditors  
1600 North Third Street  
Baton Rouge, LA 70804

Dear Mr. Theriot:

In response to your letter dated November 7, 2008 outlining the movable property issues at the West Jefferson Campus-Region 1, please find this agency's response to the findings as well the corrective action taken to resolve the issues.

First, as the Provost of the region I will be the primary contact person responsible for this corrective action plan. It is my goal to have this plan implemented and inventory corrected by December 1, 2008 and all fleet files will be completed by November 24, 2008.

I have responded to each bulleted finding per Knica Lloyd's request in one mailing.

Please see below:

### ***Items not located/in incorrect location***

Upon reviewing the status of the inventory on this campus, it was noted that a large amount of equipment could not be located. This was largely due to the fact that in August 2005; Hurricane Katrina devastated much of the New Orleans area. Although this campus was not directly affected by the hurricane, it did receive a large amount of damage due to a pipe bursting in Building A on the campus. This resulted in the flooding of the entire building for an undetermined amount of time.

The Department of Environmental Quality commandeered the building prior to us returning and began to gut as well as dispose of large amounts of damaged and molded equipment. They occupied our campus for eight (8) months. As a result, equipment, files and supplies were displaced and/or discarded (much was wet and molded).

### **Corrective Action:**

On October 13, 2008, I implemented a plan to locate all equipment by taking a 100% physical inventory (please see attached plan). All employees were given a list of their inventory for their area. Employees were told to do the following:

- If the item was located, it was verified and noted on the inventory sheet.
- If an item was not located, a list was compiled and circulated throughout the school to try and locate the item.
- If the item was found in another department, it was moved back to its correct location. If it was on loan the proper paperwork was completed to show an interdepartmental transfer/loan.
- Each instructor signed off on his/her completed inventory and understands that they have full responsibility as the custodian of the property as long as it is assigned to the program.

We, then, compiled a list of all unlocated assets and began to look to see if any of these items could be found. There were two instances in which the following actions were taken:

- If the items could not be located they were added to the unlocated asset list for 2008. (It is possible that these items were items discarded by the DEQ during Katrina)
- Items that could be located but were severely damaged or contained mold, the campus submitted a request for disposal using transfer numbers 115166 and 120531 in Protégé. John Gilbeaux, Compliance Officer for LPAA, visited the region on November 10, 2008 and took pictures of the damaged equipment and is recommending it be scrapped. They should be removed from our inventory by November 14, 2008.

### ***Entering Assets into Protégé***

Because of the linkage with Delgado Community College (DCC) that occurred in March 2006, there were many kinks with purchasing and receiving equipment. At the time of the linkage, equipment was ordered through DCC and delivered to the City Park Campus. Often times, the equipment would sit in receiving because no one knew what to do with it or where it belonged. This caused delays in tagging equipment, etc.

### **Corrective Action:**

Since that time, the region has hired its own Purchasing Agent and Business Office Liaison who are responsible for ordering all equipment and directing it to its proper location.

The following steps are followed:

- The instructor completes a Purchase Requisition and gives it to the campus Business Office Liaison (BOL). He/she then enters it into the DCC FRS computerized accounting system. The BOL gives a copy of the PR to the Property Manager putting him on alert that equipment over \$1000 has been ordered.
- The equipment will be delivered to the BOL on the respective campus and he will notify the Property Manager that it is on location. All packing slips will be copied and given to the Property Manager. The BOL will obtain the invoice from DCC's accounting department. This information will be copied and forwarded to the Property Manager to tag equipment. All equipment will be tagged 45 days after receiving.
- A copy of the invoice will be maintained at DCC in the accounting department as well as in the Campus Administrator's files.

***Receipts for interdepartmental and campus to campus transfers***

At the time of this audit, files could not be located for interdepartmental and campus to campus transfers. Many of the files were damaged during the flood. In December 2007 this agency contracted BMSCAT to restore damaged files; unfortunately, these files were not able to be restored. As a result, these documents were lost.

**Corrective Action:**

After completing the physical inventory performed in October, if an item was found in another department or at another campus the appropriate paperwork was completed immediately to show the item's new location and new custodian. (Please see the attached forms to be used in the future to track interdepartmental and campus to campus transfers). Updated copies are on file in the property manager's files.

In the future, a copy of each transfer will be maintained in the Property Manager's files as well as in the files of the Campus Assistant Dean.

***Reporting Loss/damaged equipment in a timely manner***

It is a practice of this administration to report all lost and damaged equipment as soon as it is discovered. Since many discrepancies have been discovered, a plan is in place to perform a quarterly physical inventory to detect items that might be missing or damaged.

**Corrective Action:**

As soon as an item is reported lost, each department will be asked to look for the item in his/her department immediately. If the item is not recovered, the parish police department will be notified and a report filed.

The property manager will enter the missing item into Protégé immediately.

In turn, Allen Brown, Internal Auditor for LCTCS will be notified of theft and he will communicate with the Legislative Auditors. The campus will notify Louisiana Property Assistance Agency.

***Failure to record true and actual results of inventory in 2006***

At the hearing held in October 2008 with LPAA officials, was the first time this administration learned that the inventory was not certified and that inaccurate information was supplied. The employee responsible for the report was written up and the following plan was implemented:

**Corrective Action:**

This administration could not trust the integrity of the inventory that had been submitted prior to 2008. As a result, a 100% inventory was ordered to provide a better understanding of all adjustments affecting the current inventory. Upon completion of this review, a clearer picture will be provided for acquisitions, discrepancies, transfers, surplus and scraps and we

will have a more accurate adjusted dollar amount in the inventory. As stated earlier, this will be completed by December 1, 2008.

As a system of checks and balances, all annual property certifications will be copied and sent to the Provost for approval prior to submitting to LPAA. The Provost and her team will do an internal audit of random items to assure that equipment is in place and in the correct location. Custodians of property for each department will sign stating that they have located and recorded all inventory. Copies of signature verification will be on file at the campus.

Once done, documents will be forwarded to LPAA for certification.

Once inventory has been certified by LPAA, a copy of the certification letter should be forwarded to the regional office no later than 5 days after receipt. A copy of this certification will remain on file in the Provost's office as well as on the campus.

***Failure to submit property for surplus/disposal in a timely manner***

The building that housed the equipment in question was under construction and it was very difficult to get in the area to locate equipment and take an accurate inventory. Although the property manager was able to get in and find some equipment, it was very difficult to find all equipment because of the condition of the rooms.

**Corrective action:**

Once construction was completed, this administration hired an additional employee to assist the property manager with locating and disposing/surplusing all outdated/damaged equipment. The bulk of this equipment was disposed of this past summer.

In the future, inventory will be reviewed each quarter. At this time, if there are any items that are deemed unusable because of age, etc., permission will be sought to dispose of. Once permission is granted, it will be disposed of immediately and entered into Protégé. A list of all disposed and surplused equipment will be maintained in the campus administration files.

***Missing, unexecuted motor vehicle forms***

At the time of LPAA's audit, the property manager was not aware of how fleet was being handled. When the campus was called to the hearing, all vehicle forms were brought for review. Because of the linkage between DCC and LTC Region 1, the following records are kept at DCC:

- Fleet mileage and maintenance
- Mileage reimbursement to employees for use of private automobiles for state business.

These documents are on file at the agency. In the future, copies of the above forms will also be kept on site at the West Jefferson Campus.

***Fleet Maintenance***

At the time of the audit, this campus did not have a fleet manager. It had undergone two (2) Asst. Deans and no one had been inputting the documentation into the system on a regular basis.

**Corrective Action:**

As of this date, Don Marco has been appointed as fleet manager and the system has been updated for years 2005 and 2006. We are currently awaiting the mileage reports from the fleet department at DCC to input 2007 and early parts of 2008. This will be completed by November 24, 2008.

Per the plan attached, mileage must be put into the system no later than 3 days after the close of the month. The fleet manager is to send the Provost an email after each month's entry along with a print out from Protégé verifying that the mileage has been entered.

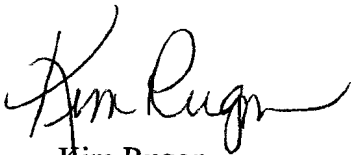
Also, a form letter has been generated to be sent to LPAA on a monthly basis explaining underutilization, if necessary. Please see attached.

In closing, on October 23, 2008, on my request, Mr. Floyd Rector visited the region to explain inventory policies and procedures to all employees (Please see attached sign in sheet). Mr. Rector reiterated the responsibilities of all regional employees for movable property and how sufficient care must be exercised to maintain adequate internal control to prevent possible loss, theft, and misuse of state assets.

I am committed to making sure that all employees are fully aware of the importance of caring for state assets. I will continue from this point on to oversee the inventory procedures for this campus to ensure that we are in compliance with state property laws and regulations as they relate to movable property.

If you have any questions or concerns, please feel free to contact me.

Sincerely,



Kim Rugon  
Provost

Cc: Dr. Ron Wright, Chancellor  
Allen Brown, Internal Auditor