

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



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 24, 2014

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

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DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
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PAUL E. PENDAS, CPA

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THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 24, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Dr. Natalie Harder, Chancellor,
South Louisiana Community College
Louisiana Community and Technical College System

Dear Senator Alario, Representative Kleckley, and Dr. Harder:

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

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

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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SLCC14

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Audit Control # 80140082

South Louisiana Community College

December 2014

Introduction

As a part of our audit of the Louisiana Community and Technical College System's (System) financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014, we performed procedures at South Louisiana Community College (College) to provide assurances on financial information that is significant to the System's financial statements; to evaluate the effectiveness of the College's internal controls over financial reporting and compliance; and to determine whether the College complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct findings reported in the prior year.

The College is a part of the System and reported an enrollment of more than 7,000 students for the fall 2013 semester. The College's mission is to be a proactive provider of excellent education and training, serving a diverse local and global economy.

Results of Our Procedures

Follow-Up on Prior-Year Findings

Our auditors reviewed the status of the prior-year findings reported in a management letter dated December 16, 2013. We determined that management has resolved the prior-year findings related to inadequate administration of Federal Pell Grant Program funds and the weaknesses in controls over the Banner system. The finding relating to the late return of Federal Pell Grant Program funds has not been resolved and is addressed again in this letter.

Current-Year Findings

Late Return of Federal Pell Grant Program Funds

For the seventh consecutive audit, the College did not maintain sufficient controls over the Federal Pell Grant Program to timely identify students who withdraw, perform the return of funds calculation, and return funds to the U.S. Department of Education as required by federal regulations. Continued noncompliance with these regulations may subject the College to sanctions, up to and including termination of program participation.

In a test of 25 students, we identified three (12%) students who failed to earn a passing grade for the spring 2014 semester, and the college did not determine if a return of program funds was necessary. The three students had a combination of “Fs” and “Ws” (rather than all “Fs” or all “Ws”) in all classes attempted but were not identified by the College as students who failed to earn a passing grade. As a result, the College did not return Pell Grant funds totaling \$1,632 to the U.S. Department of Education within the required 45-day period after the College should have determined that the students had withdrawn from classes.

We expanded our procedures and identified an additional 36 students from the spring 2014 semester with a combination of “Fs” and “Ws” that the College did not determine if a return was necessary.

Management should implement controls to ensure that a return of funds determination is performed for all students with a combination of “Fs” and “Ws” in all classes attended. Management should also determine whether the additional 36 students from the spring 2014 semester or any students from the fall 2013 semester should have funds returned to the U.S. Department of Education and/or recouped from the students. Management provided a plan of corrective action and is performing procedures included in the recommendation. However, management did not agree that the exceptions display a lack of sufficient controls, but were a result of differing interpretations (see Appendix A, pages 1-2).

Additional Comments: The Federal Student Aid Handbook states that for students who fail to earn a passing grade in at least one course offered, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period. Students with all “Fs” and “Ws” fit the criteria and should be considered as unofficially withdrawn, therefore requiring a Return of Title IV funds determination.

Inadequate Collection Procedures over Student Account Receivables

The College did not establish the terms and/or conditions for payment at the time student receivable accounts were created and did not perform collection follow-up procedures on past-due student accounts generated from the fall 2012 to spring 2014 semesters, with outstanding student account balances totaling \$1.5 million at June 30, 2014. Failure to establish terms and conditions for payment with the student and perform collection follow-up procedures may inhibit collection attempts, increase the risk that the accounts will become uncollectible, and may impair the College’s funding of ongoing operations.

The System’s policy states that it is the responsibility of each institution to establish the terms and/or conditions for payment at the time an account is created and to follow up routinely and diligently on all accounts receivable. In addition, the College’s policy requires sending the student three collection letters and then forwarding the account to the Attorney General’s office for collection. However, the College’s policy does not specify the timeframes for collection letters (i.e., first letter at end of semester, second letter 30 days from first, etc.).

In our review of accounts receivable generated in fiscal years 2013 and 2014, the following deficiencies were noted:

- For five of seven students tested with outstanding balances, the College did not provide a deferment plan establishing terms and/or conditions for payment.
- For the fall 2012 through fall 2013 semesters, the College did not send a second or third collection letter. For the spring 2014 semester, the College did not send a third collection letter. In addition, based on a sample of seven students, five students with an outstanding balance were not included in all collection letters sent.
- The College did not forward any of its fiscal years 2013 and 2014 delinquent student accounts to the Attorney General's office for collection.

The College should develop procedures to ensure compliance with the System's policy to establish terms and/or conditions for payment at the time an account is created and its own policy for collections of past-due accounts. In addition, management should establish timeframes for when collection letters are issued and forward the appropriate delinquent accounts to the Attorney General's office for collection. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Weaknesses over Refunds

The College did not maintain sufficient controls to properly define refund periods and refund percentages and/or assign grades in accordance with College policy, which could erroneously affect students' refund amounts and/or transcripts. Although the College's refund and withdraw policies were updated, errors occurred because the status codes available in the College's computer system, Banner, did not align to the revised policies.

In Banner, the Course Registration Status Form is populated with course registration status codes specific to the timeframe of courses. The Course Registration Status Form defines the time period each status code can be used and the related refund percentage applicable for that time frame. Status codes also determine how the course/grade will appear on a student's transcript.

Based on a review of 138 status codes defined during the fall 2013 and spring 2014 terms, the following errors were noted:

- Twenty of the 138 (14%) status codes reviewed had dates defined that would assign the incorrect grade or incorrect withdrawal code to the students' transcripts. A student who withdraws from a course after the add/drop period but before the last day to withdraw for the term should receive a "W" for the final grade. However, a student who withdraws from a course after the last day to withdraw should receive a final grade as assigned by the instructor.

- Seventeen of the 138 (12%) status codes reviewed had dates defined that did not correspond with the College's refund or withdrawal policy, which could affect student refunds.
- Three of the 138 (2%) status codes had refund percentages defined that did not correspond with College refund policy, which could affect student refunds.

Based on these errors, additional procedures were performed on student withdrawals between July 1, 2013 and February 28, 2014. We identified 10 students who withdrew from a course(s) with a status code with errors that may impact the refund calculation and 136 students who withdrew with a status code with errors that may impact how the course/grade is reflected on the students' transcript. In addition, we identified 17 students who withdrew from courses with status codes that were not defined, which could potentially have an impact on the students' refund amount and/or assigned grade.

Management should establish procedures to review the dates and percentages entered in the Course Registration Status Form each semester for each part of term to ensure refunds and grades are issued in accordance with College policy. Management should ensure that any inaccurate refunds and/or grades as a result of these errors are rectified. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

Financial Statements - Louisiana Community and Technical College System

As part of our audit of the System's financial statements for the year ended June 30, 2014, we considered the College's internal controls over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Statement of Net Position

Assets - Cash and cash equivalents

Liabilities - Account payable and accruals

Net Position - Net investment in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Federal non-operating revenues

Expenses - Education and general

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

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations. In addition, the account balances and classes of transactions tested are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2014, we performed procedures on the College's Summary Schedule of Prior Federal Audit Findings (Schedule 8-3), as required by the Office of Management and Budget Circular A-133. These procedures included evaluating the information presented for each finding included in the Schedule 8-3 for the College. Based on the results of our procedures, the Schedule 8-3 prepared by the College accurately represented the status of the prior-year findings.

Other Procedures

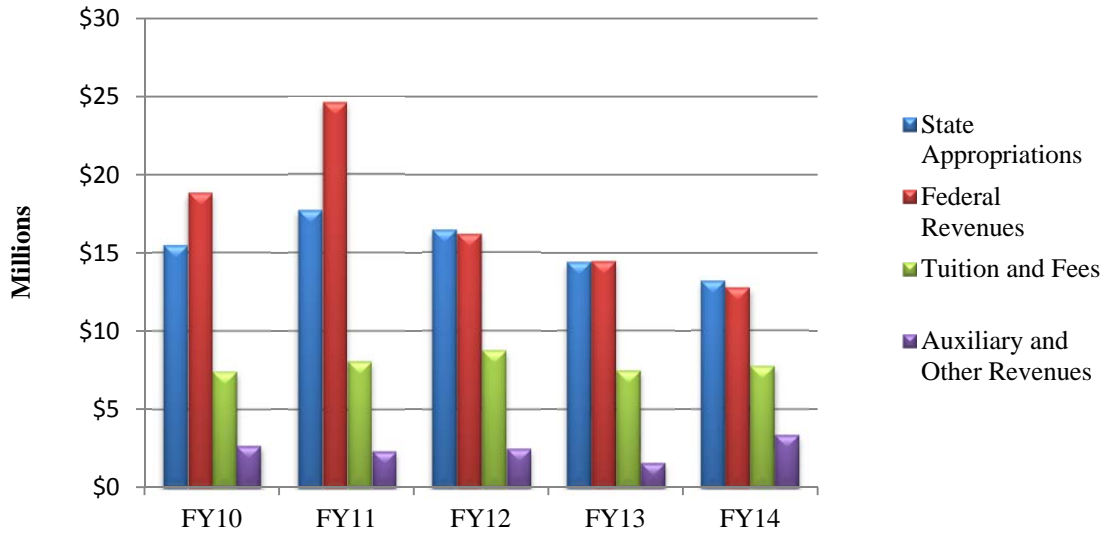
We performed procedures on the approval and assessment of tuition and fees and compliance with the College's withdrawal, refund, accounts receivable, and allowance/write-off policies. Based on the results of these procedures, we reported findings related to inadequate collection procedures over student accounts receivable and weaknesses over refunds.

Trend Analysis

We compared the most current- and prior-year financial activity using the College's annual fiscal reports and/or system-generated reports and obtained explanations from College management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five years.

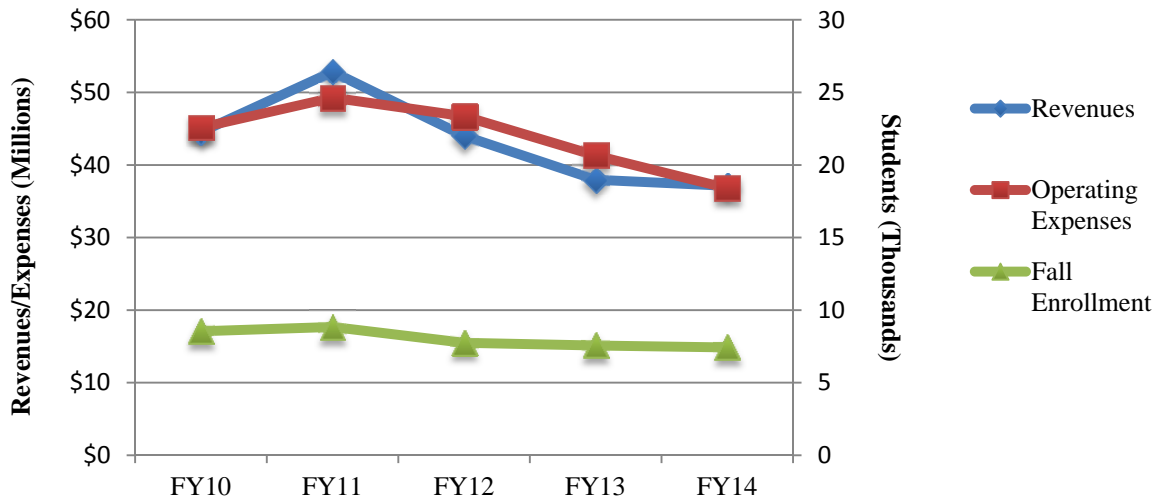
In analyzing the financial trend of the College over the past five years, tuition and fee revenues have remained consistent as decreases in enrollment have been offset by increased tuition and fee rates. Auxiliary and other revenues have increased from fiscal year (FY) 13 to FY 14 because of increases in Rapid Response grant funds and funding for deferred maintenance. State appropriations and federal revenues have decreased over the past four years. Federal revenue decreases are attributable to State Fiscal Stabilization funds and High Growth and Emerging Industries funds ending in FY 12 and FY 13, respectively.

Exhibit 1
Five-Year Revenue Trend, by Fiscal Year



Source: Fiscal year 2010-2014 College Annual Fiscal Report

Exhibit 2
Fall Enrollment Trend Analysis, by Fiscal Year



Source: Fiscal year 2010-2013 System Audit reports; Fiscal year 2014 College Annual Fiscal Report

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

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

APPENDIX A: MANAGEMENT'S RESPONSES



South Louisiana
Community College

1101 Bertrand Drive
Lafayette, LA 70506
Phone: 337.521.9000

October 10, 2014

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

Mr. Purpera:

Please accept the following as South Louisiana Community College's response to the reportable audit finding of "Late Return of Federal Pell Grant Program Funds." We do acknowledge that funds for two students were not returned during the required 45-day period but do not agree that this displays a lack of sufficient controls.

The Federal Student Aid Handbook specifically addresses the issue of zero GPAs as related to students who receive all 'F' grades, and the treatment of Federal Student Aid in these circumstances. However, the Handbook is silent with respect to zero GPAs that are the result of a combination of 'W' and 'F' grades. As a result of the lack of clear guidance, the decision of whether or not to complete a Return of Title IV funds in these situations was left to interpretation by our Financial Aid Office. The professional opinion of this office was that a student who withdrew from some, but not all, courses in a semester had the intent of completing the remaining courses. This meant that only the regulations governing a change in enrollment status would be applied.

During the audit, the audit team informed Financial Aid that, in their opinion, a combination of 'W' and 'F' grades, requires processing in accordance with the zero GPA guidelines. Accepting this interpretation, our office reviewed the three Spring 2014 students identified from the test group of twenty-five. This review resulted in finding evidence that one student completed more than 60% of the semester, requiring no return of funds. No evidence of post-60% attendance could be found on the other two students and the required calculations were made and Title IV funds have been returned. As recommended, we are currently reviewing the additional thirty-six Spring 2014 students with a combination of 'W' and 'F' grades. If we are unable to determine that any of these students failed to have academically related activity after the 60% mark of any class for which an 'F' grade was awarded, the required Return of Title IV funds will be calculated and processed.

It was also requested, following the audit, that the Financial Aid Office review all students from the Fall 2013 semester who had a combination of 'W' and 'F' grades. Thirty-nine students were identified as having met this criteria and it was found that, in all cases, Return of Title IV calculations had been completed during the required return period at the end of the semester. Of the thirty-nine, thirty-seven had Return of Title IV funds completed; one student completed 60% of the semester in at least one course in which an 'F' grade was awarded and thus did not require a return; and one student was awarded a post-withdrawal disbursement.



**South Louisiana
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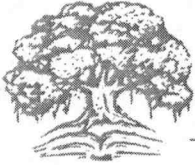
To ensure future compliance with the audit committee's interpretation of the zero GPA regulations, the College has instituted an enhanced grade reporting system, effective with the Fall 2014 semester. Faculty will now post a performance-based grade under the title Abandoned Studies for all students who cease academic participation prior to the 60% date of any term. At the end of each term, the Financial Aid Office will conduct a Return of Title IV process to identify affected students and calculate any required return as of the 50% date, as provided for in federal regulations. This new system will clearly identify required returns for students earning both 'W' and 'F' grades, and those earning only 'F' grades. It will be an ongoing process, conducted in all future semesters.

Should you have any questions regarding this response or our efforts to maintain full compliance with all regulations, please do not hesitate to contact me. I can be reached via telephone at (337) 521-9050 or via email at natalie.harder@solacc.edu

Sincerely,

Dr. Natalie J. Harder
Chancellor, SLCC

CC: Barrett Hunter, CPA
Financial Audit Manager
Louisiana Legislative Auditor



South Louisiana
Community College

1101 Bertrand Drive
Lafayette, LA 70506
Phone: 337.521.9000

November 10, 2014

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

Mr. Purpera:

Please accept the following as South Louisiana Community College's response to the reportable audit finding of "Inadequate Collection Procedures over Student Account Receivables." We acknowledge that adequate collection procedures were not followed during the time period reviewed.

When the College discovered that required billing and collection practices were not being adhered to, several immediate actions were taken, including personnel changes within the Student Accounts Office. We are current with billing for the 2014-15 year, and have invoiced delinquent accounts for prior years.

At this time, we are fully compliant with internal procedures, and the LCTCS policy, and will continue to ensure future compliance. These procedures include the required series of three letters, sent at the end of the month of term start, and at thirty and sixty-day intervals following. We have also worked with the State of Louisiana Office of the Attorney General to establish a notification and transfer process that best meets their needs. As a result of our conversations with the Attorney General's representatives, we have also implemented an electronic notification, acknowledged by students prior to registration, which reiterates payment responsibility and collection processes.

Should you have any questions regarding this response or our efforts to maintain full compliance with all policies, please do not hesitate to contact me. I can be reached via telephone at (337) 521-8959 or via email at natalie.harder@solacc.edu

Sincerely,

Natalie J. Harder, Ph.D.
Chancellor, SLCC



**South Louisiana
Community College**

1101 Bertrand Drive
Lafayette, LA 70506
Phone: 337.521.9000

November 20, 2014

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

Mr. Purpera:

Please accept the following as South Louisiana Community College's response to the reportable audit finding of "Weaknesses over Refund Table." We acknowledge that inaccurate coding caused errors in processing withdrawals within the refund period during the time period reviewed.

When the College discovered the errors, all potentially affected student transcripts were reviewed. It was found that a small number of students who should have received a 'W' grade had no grade assigned. This error was corrected and the 'W' grades were appropriately assigned.

Also, the College reviewed the three students identified who potentially received inaccurate refunds. One of the three was determined to be accurate. Inaccurate coding for the other two resulted in the students having a larger than policy mandated refund applied to their account. Adjustments were made to these accounts to correct the error.

As the College became aware of these errors, a complete review of processes was conducted, which determined the need for additional withdrawal codes. These codes have been created and fully tested to confirm their intended function. At this time, the coding is completely accurate and does ensure that all refunds and grades associate with withdrawals are issued in accordance with College policies.

Should you have any questions regarding this response or our efforts to maintain full compliance with all aspects of our policies, please do not hesitate to contact me. I can be reached via telephone at (337) 521-8959 or via email at natalie.harder@solacc.edu.

Sincerely,

Natalie J. Harder, Ph.D.
Chancellor, SLCC

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at South Louisiana Community College (College) for the period from July 1, 2013 through June 30, 2014 to provide assurances on financial information significant to the Louisiana Community and Technical College System (System) and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, and review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014.

- We evaluated the College's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the College.
- Based on the documentation of the College's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on the College's account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the College's Summary Schedule of Prior Federal Audit Findings (Schedule 8-3) for the year ended June 30, 2014, to support the 2014 Single Audit.
- We compared the most current- and prior-year financial activity using the College's annual fiscal reports and/or system generated reports to identify trends and obtained explanations from College management for significant variances.

The purpose of this report is solely to describe the scope of our work at the College and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.

We did not audit or review the College's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. The College's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.