

Louisiana Community and Technical College System Audit Committee Meeting

**September 12, 2007
8:00 a.m.**

(Board Ante-Room)

MINUTES

1. Call to Order by Committee Chair – Carl Franklin

Carl Franklin, Chair, Audit Committee, called the meeting to order at 8:08 a.m.

2. Roll Call

Bonni Blouin called roll and a quorum was established. The following Audit Committee members were present: Carl Franklin, Chair; Keith Gamble, Kathy Sellers Johnson, Stevie Smith, Vinney St. Blanc and Board Chair Brett Mellington.

Also in attendance at the meeting were: Dr. Joe May, President, LCTCS; Allen Brown, Director of Internal Audit; Jan Jackson, Senior Vice President of Finance; Leo Hamilton, General Counsel for LCTCS; John Paul Domiano and Shannon Sedberry, LCTCS; Dr. Myrtle Dorsey, Chancellor, Baton Rouge Community College; Maxine Rogers, BRCC; and Adam Raney, Internal Audit.

3. Pell Refund – Final Update

Allen Brown, Director of Internal Audit, provided the final update on the Pell Grant refunds for LCTCS campuses. Mr. Brown stated that a previous Pell Grant Refund report had been submitted to the Audit Committee regarding a bill submitted to the Louisiana Technical College (LTC) in excess of \$1 million dollars to refund Pell. He reported that through research at the LTC campuses it has been determined that the audit findings stemmed from a documentation issue – not one of eligibility. He added that the final determination has been made and a repayment has been made to the federal government in the amount of \$859,164 and this issue has been cleared. He noted that this finding was for FY 01-02 and FY 02-03.

Discussion followed regarding this issue and how the debt was repaid. Mr. Brown stated that the debt was calculated by each campus involved and carry-over funds were used to repay the money. He noted that more than half of the number resulted from the LTC-Shreveport/Bossier Campus. Referring to the Shreveport/Bossier Campus, he stated certain people are no longer there.

4. Brief on Completed Elected Officials Time and Attendance Project

Allen Brown briefed Audit Committee members on the completed Elected Officials Time and Attendance Project. He reported that the audit has been completed and no major findings occurred. He stated that a few procedural issues exist and these have been discussed with the individual.

Mr. Brown stated that, beginning in January, each elected official will be contacted by the Internal Audit Department to request that the necessary forms be completed and submitted to the System Office. He noted that currently twenty-two (22) LCTCS employees currently hold some type of public office.

5. Update on Current Projects

Mr. Brown provided an update on current projects. He discussed the following:

- Carl Perkins Funds. Mr. Brown reported that Internal Audit is currently working on monitoring Carl Perkins funds. He explained that each year the LCTCS receives approximately \$22 million in funds, half of which goes to the Department of Education. He stated that Internal Audit completes the fiscal side of monitoring the campus budgets and distribution of the Perkins funds. He reported that last year Internal Audit met with the Department of Education to review their monitoring procedures and had no findings.
- Region 1 – Hurricane Relief Grant. Mr. Brown reported that the audit on the funds received in Region 1 from the Hurricane Relief Grant is being completed. He stated that there would be a finding, but Internal Audit is working with the campus to get their response. He noted that the finding resulted from the first invoice from the LTC Central Office for approximately \$700,000 and another invoice for \$640,000. The finding will be that specific documentation could not be located for the invoices. He stated that he is working with the campus to resolve the finding. A final report should be issued later this week.
- LTC Folkes Campus. Mr. Brown stated that Jim Henderson requested that Internal Audit review matters related to the COMPAS exams at the LTC-Folkes Campus. He noted that a student is charged \$5 for each COMPAS exam. The records showed that 200 exams had been given, but no money had been deposited. This project is ongoing.
- Region 6 – Internal Control Work. Mr. Brown reported that the field work on this project has been completed. He noted that 3 campuses were visited to review their internal control processes. He stated that they would make recommendations to the campuses to shore up their internal control processes. He discussed the problems that exist due to the utilization of 3 different computer programs: Quick Books, PeopleSoft, and SCEAS. He noted that reconciliations are not being done for the three systems. He added that the campuses are moving to a new system in January which should eliminate some of the processes and allow the campuses to reconcile their accounts.

- LTC Avoyelles Campus. Certain work was conducted at LTC Avoyelles Campus at the request of Jim Henderson. The work is complete and the information provided to Mr. Henderson.
- Bank Reconciliations of the LTC. Mr. Brown provided a brief history of the problem that exists with the LTC regarding un-reconciled bank statements. He stated that it has been determined that the LTC bank statements had not been reconciled in past years and faulty bookkeeping methods have resulted in and an un-reconciled difference of approximately \$827,000 over the bank balance. Mr. Brown reported that this LTC account is not being used and the remaining funds in the account will be distributed to the campuses at the end of the year. He added that each region now handle their own finances. He further stated that this discrepancy is mainly due to bad accounting practices, not fraud.

Mr. Brown requested approval from the Audit Committee to amend the 2007-2008 Audit Plan to focus on this issue and list it as a priority item, along with Perkins Monitoring, Elected Officials and Student Data Work. He stated that Internal Audit would like to visit each region for 3-4 months to determine that each region is reconciling their accounts correctly.

On motion of Supervisor Johnson, seconded by Supervisor Gamble, the Audit Committee approved the amendment to the FY 07-08 Audit Plan to include Bank Reconciliations as a priority item. The motion passed.

- Baton Rouge Community College – Legislative Audit Finding. Mr. Brown reported on a Legislative Audit finding regarding the payment of \$100,000 to Bill Cosby for an appearance at Baton Rouge Community College. He stated that the revenue from ticket sales for the event went to the BRCC Foundation. The finding resulted from BRCC loaning school funds to pay the \$100,000 to Mr. Cosby. Mr. Brown stated that this practice is against Article 7, Section 14 of the constitution. He added that the college should be reimbursed, but he wanted to make committee members aware that they would receive an audit finding from the Legislative auditors on this matter.

6. Baton Rouge Community College – Legislative Auditor Management Letter issued July 18, 2007

Mr. Brown distributed a copy of the Management Letter issued July 18, 2007, by the Louisiana Legislative Auditor to the Baton Rouge Community College.

Dr. Myrtle Dorsey, Chancellor, BRCC, addressed the Audit Committee and explained that the college began receiving federal programs in 2005-06. She discussed some of the programs that the college had experienced noting that the college went through 3 directors of financial aide during that time and went from allocating \$400,000 to \$4.3 million to students. She stated that actions have taken place to ensure that the reported findings do not occur again. She further stated that the National Association for Student Financial Aide Administrators was hired to conduct a peer review on the campus to review current practices and areas that needed improvement. She stated

that this review was being conducted prior to the audit and NASFAA's recommendations have been implemented.

Dr. Dorsey informed the Committee that the college practices 100% verification which means that each student applying for financial aid must provide 100% documentation/verification to receive financial aid. She stated that they will continue with 100% verification. She further stated that the college will not add any additional programs until they ensure that all of the programs currently in place are solid.

7. Self Assessment (Required under Institute of Internal Auditors Standards)

Mr. Brown reported that Internal Audit is going through a self assessment. He stated that every 5 years the National Auditing Standards requires that an assessment be done. He noted that as part of the assessment, two outside auditors are brought in to review the internal audit's recommendations and may provide additional recommendations on areas that need improvement. A final report will be submitted in a couple of weeks.

8. Other Business

- Student Data Report. Mr. Brown stated that a request had been made by a Board member to Mr. Brown to inquire to the Board of Regents on the need for the Student Data Report that is provided each year by the LCTCS. Mr. Brown reported that a meeting had been held with Donnie Vandal, Wendy Simoneaux and Chris Dalton, Internal Auditor for the Board of Regents (BoR). He stated that the Board of Regents was not aware of the report and did not know about the statute requiring it. Mr. Brown noted that the report is not provided to the Board of Regents, but it is provided to the Legislature. The BoR stated that they felt that Dr. Savoie and Dr. May should meet to discuss the possibility of introducing legislation to discontinue the report. He noted that the LTC is the only college required to produce this report.

Dr. May stated that he would meet with Commissioner Savoie to discuss this issue further.

- Dr. May mentioned an agenda item on the Consent Agenda that relates to financial aid – agenda item I.1. LCTCS Policy Approval: Financial Aid: Code of Conduct. He stated that the policy was submitted as a requirement from the Board of Regents in response to a national scandal involving financial aid and the relationship to vendors that has occurred around the country. He added that there is no evidence that this has occurred anywhere in Louisiana. He further stated that this issue is one he feels will continue to receive national scrutiny. He stated that he has asked Allen Brown to provide guidance on the Board's and System's relationships with vendors.

There being no further business to come before the Audit Committee, on motion of Supervisor Johnson, seconded by Supervisor Mellington, the Audit Committee adjourned at 8:58 a.m.