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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2011
ISSUED NOVEMBER 9, 2011

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

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

- Based on our audit, SOWELA's financial statements, as adjusted, present fairly, in all material respects, the financial position of SOWELA as of June 30, 2011, and the respective changes in its financial position and cash flows for the year then ended.

- SOWELA transactions were not posted timely to its accounting system (PeopleSoft) and certain financial information was not accurately included in the annual fiscal report. During fiscal year 2011, 54% of the transactions were posted more than 30 days after they occurred. Untimely and ineffective bank reconciliations were one result of the untimely posting. In addition, transactions were posted to PeopleSoft without pertinent information, which caused inaccurate calculations for financial reporting and could cause under billing of reimbursement grants and contracts. These weaknesses required audit adjustments for corrections.

- For 21 of 36 (58%) travel or meal reimbursements, SOWELA either did not maintain adequate supporting documentation in the travel files or did not follow applicable regulations. Overpayments and questionable expenses paid to employees by the College totaled $983, which included a reimbursement for alcohol. In addition, no justification for the use of a SOWELA vehicle for out-of-state travel was documented by SOWELA. For this same trip, the Daily Vehicle Log listed locations of Baton Rouge, Louisiana; Natchez, Mississippi; and Alexandria, Louisiana, when the actual travel was to Memphis, Tennessee, and Alexandria, Louisiana.

- SOWELA did not perform collection follow-up procedures on student account receivables totaling $183,388 during fiscal year 2011 in accordance with Louisiana Administrative Code Title 4, Part XIII.

- SOWELA did not deposit funds totaling $1,240 from the sale of copper wiring and may have spent those funds in violation of Article 7, Section 14 of the Louisiana Constitution. Of the $1,240, $1,101 was spent on items such as snacks, meals, coffee, and cook-out related expenses; $78 was unaccounted for by SOWELA; and $61 was deposited during our procedures.

- SOWELA's application process for hardship waivers of tuition and fees was not posted on its Web site so that students could apply for the waivers before registration as required by LCTCS policy (5.021) and state law [Louisiana Revised Statute (R.S.) 17:3351(A)(5)(d) and 17;3351.10]. As a result, no students applied for hardship waivers during fiscal year 2011.

- SOWELA did not report misappropriations of College-owned property to the legislative auditor and the local district attorney as required by R.S. 24:523 or to the LCTCS Director of Internal Audit as required by LCTCS policy 5.019.

This report is a public report and has been distributed to state officials. We appreciate SOWELA's assistance in the successful completion of our work.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 7, 2011

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of SOWELA Technical Community College, a College within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of SOWELA Technical Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in note 1-B, the accompanying financial statements of SOWELA Technical Community College are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Louisiana Community and Technical College System that is attributable to the transactions of SOWELA Technical Community College. They do not purport to, and do not, present fairly the financial position of the Louisiana Community and Technical College System as of June 30, 2011, 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.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of SOWELA Technical Community College as of June 30, 2011, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of SOWELA Technical Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LBL:BH:EFS:THC:dl

SOWELLA 2011

The Management's Discussion and Analysis of SOWELA Technical Community College's (College) financial performance presents a narrative overview and analysis of the College's financial activities for the year ended June 30, 2011. 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 the College's financial statements, which begin on page 13. Financial amounts are reported in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

The College's net assets increased from $6,716 to $8,027 or 20% from July 1, 2010, to June 30, 2011. The overall reasons for this change included:

- Increase in capital grants
- Increase in state grants
- Increase in federal nonoperating revenues

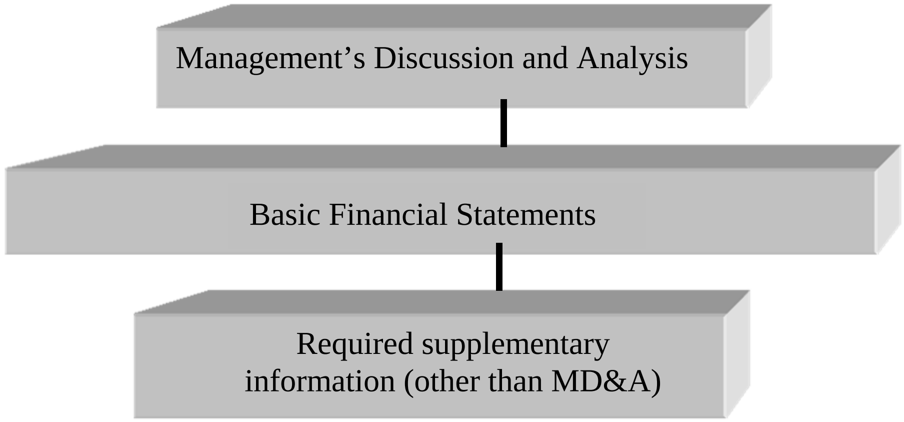
Enrollment increased from 2,911 to 3,675 from July 1, 2010, to June 30, 2011, a change of 26%. The reasons for this change are attributed to new programs and increased participation in the PELL Grant Program.

The College's operating revenues changed from $4,270 to $4,064, a decrease of 5%, from July 1, 2010, to June 30, 2011. Operating expenses, however, increased by 11% to $18,187 for the year ended June 30, 2011. Enrollment increased which increased tuition and fees; however, scholarship allowance also increased resulting in a decrease of net tuition and fees. Also, the purchase of equipment not capitalized, purchase of supplies, maintenance and rental costs, and scholarships are the primary reasons for the increase in operating expenses.

Nonoperating revenues fluctuate depending upon levels of state operating and capital appropriations. The increase to $13,854 in 2011 from $12,008 in 2010 is attributed to an increase in American Recovery and Reinvestment Act (ARRA) revenues and an increase in PELL grant revenue.

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 required supplementary information.

Basic Financial Statements

The basic financial statements present information for the College 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 (SNA); the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA); and the Statement of Cash Flows.

The <u>SNA</u> (page 13) 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 the College is improving or deteriorating.

The <u>SRECNA</u> (pages 15-16) presents information showing how the College'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, there are transactions included that will not affect cash until future fiscal periods.

The <u>Statement of Cash Flows</u> (pages 17-18) presents information showing how the College'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 the College'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 supplementary information that further explains and supports the information in the financial statements.

The College's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 SRECNA. All assets and liabilities associated with the operation of the College are included in the SNA.

FINANCIAL ANALYSIS

SOWELA Technical Community College
Comparative Statement of Net Assets
(in thousands of dollars)
June 30, 2011 and 2010

	2011	2010 (Restated)	Variance	Percentage Change
Assets				
Current and other assets	$8,508	$6,652	$1,856	28%
Capital assets	6,673	5,893	780	13%
Total assets	15,181	12,545	2,636	21%
Liabilities				
Current liabilities	2,382	1,790	592	33%
Long-term liabilities	4,773	4,039	734	18%
Total liabilities	7,155	5,829	1,326	23%
Net assets				
Invested in capital assets	6,673	5,893	780	
Restricted	867	715	152	21%
Unrestricted	487	108	379	351%
Total net assets	$8,027	$6,716	$1,311	20%

This schedule is prepared from the College's SNA as shown on page 13, which is presented on an accrual basis of accounting. Significant SNA changes for 2011 include the 21% increase in restricted net assets due to a new technology fee.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation. 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 have no limitations on how these amounts may be spent.

SOWELA Technical Community College
Statement of Revenues, Expenses
and Changes in Fund Net Assets
(in thousands of dollars)
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010 (Restated)	Variance	Percentage Change
Operating revenues				
Student tuition and fees, net	$1,940	$2,054	($114)	-6%
Grants and contracts	1,582	1,356	226	17%
Sales and services of educational departments	30	47	(17)	-36%
Auxiliary enterprises, net	15	12	3	25%
Other	497	801	(304)	-38%
Total operating revenues	4,064	4,270	(206)	-5%
Nonoperating revenue				
State appropriations	6,029	5,978	51	1%
Gifts	403	343	60	17%
Federal nonoperating revenues	7,388	5,643	1,745	31%
Net investment income	34	44	(10)	-23%
Net nonoperating revenues	13,854	12,008	1,846	15%
Total revenues	17,918	16,278	1,640	10%
Operating expenses				
Education and general:				
Instruction	7,815	6,806	1,009	15%
Academic support	635	574	61	11%
Student services	1,403	1,356	47	3%
Institutional support	3,242	2,949	293	10%
Operations and maintenance of plant	934	825	109	13%
Depreciation	591	538	53	10%
Scholarships and fellowships	3,567	3,378	189	6%
Total operating expenses	18,187	16,426	1,761	11%
Nonoperating expenses -				
Other	19	NONE	19	
Total expenses	18,206	16,426	1,780	9%
Loss before other revenues	(288)	(148)	(140)	-95%
Capital grants and gifts	1,599	675	924	137%
Change in net assets	1,311	527	784	149%
Net assets, beginning of year, restated	6,716	6,189	527	9%
Net assets, end of year	$8,027	$6,716	$1,311	20%

Nonoperating revenues increased by 15% to $13,854, primarily attributable to an increase in ARRA revenues of $669 and an increase in PELL grants of approximately $1,000.

State appropriations increased from $5,978 to $6,029 because of a reduction in our initial appropriation and then a supplemental appropriation of $520 at year-end.

The College's operating revenues decreased by $206 or 5% due primarily because of a decrease in net tuition and fees as mentioned above and a decrease in federal grants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the College had invested approximately $6,673 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $780 or 13% over the previous fiscal year. More detailed information about the College's capital assets is presented in note 5 to the financial statements.

SOWELA Technical Community College
Capital Assets, Net of Depreciation
(in thousands of dollars)
As of June 30, 2011 and 2010

	2011	2010 (Restated)	Variance	Percentage Change
Land and improvements	$556	$556		
Buildings	4,192	3,841	$351	9%
Equipment	1,312	1,283	29	2%
Construction-in-progress	613	213	400	188%
Total	$6,673	$5,893	$780	13%

This year's major changes included (in thousands):

- A light improvement project for $126
- Improvements to air conditioning system for $434
- Construction-in-progress on two new buildings for $833
- Current year depreciation of capital assets ($591)
- Current year retirement of capital assets ($19)

Debt

The College had no bonds or notes outstanding at year-end. See notes 8 and 11 for details relating to changes in and the composition of long-term debt.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The following currently known facts, decisions, or conditions are expected to have a significant effect on financial position or results of operations:

- Increases in current enrollment
- Changes in tuition or fees
- Changes in federal grant programs
- Significant new or additional capital appropriations

CONTACTING THE SOWELA TECHNICAL COMMUNITY COLLEGE'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Francis Porche, CPA, Controller, at 3850 Senator J. Bennett Johnston Avenue, Lake Charles, Louisiana 70615; telephone number (337) 491-2030.

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

Statement of Net Assets
June 30, 2011

ASSETS	
Current assets:	
Cash (note 2)	$6,164,845
Receivables, net (note 4)	1,363,554
Due from federal government (note 4)	89,926
Due from Louisiana Community and Technical College Sysetm	818,910
Inventories	8,870
Deferred charges and prepaid expenses	15,313
Total current assets	8,461,418
Noncurrent assets	
Restricted investments (note 3)	46,767
Capital assets, net (note 5)	6,673,169
Total noncurrent assets	6,719,936
Total assets	15,181,354
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 9)	1,103,387
Deferred revenues (note 10)	1,199,131
Compensated absences payable (note 11)	56,953
Amounts held in custody for others	22,280
Total current liabilities	2,381,751
Noncurrent liabilities:	
Compensated absences payable (note 11)	625,202
Other postemployment benefits payable (note 8)	4,147,800
Total noncurrent liabilities	4,773,002
Total liabilities	7,154,753
NET ASSETS	
Invested in capital assets	6,673,169
Restricted for expendable (note 12)	866,714
Unrestricted	486,718
TOTAL NET ASSETS	$8,026,601

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

OPERATING REVENUES	
Student tuition and fees	$4,806,459
Less scholarship allowances	(2,866,245)
Net student tuition and fees	1,940,214
Federal grants and contracts	927,833
State and local grants and contracts	653,658
Sales and services of educational departments	30,337
Auxiliary enterprise revenue	15,162
Other operating revenues	496,780
Total operating revenues	4,063,984
OPERATING EXPENSES	
Educational and general:	
Instruction	7,814,542
Academic support	635,293
Student services	1,403,250
Institutional support	3,242,427
Operations and maintenance of plant	933,557
Depreciation (note 5)	590,997
Scholarships and fellowships	3,566,565
Total operating expenses	18,186,631
OPERATING LOSS	(14,122,647)
NONOPERATING REVENUES (Expenses)	
State appropriations	6,028,585
Gifts	403,062
Federal nonoperating revenues - ARRA receipts (note 17)	1,756,859
Federal nonoperating revenues	5,631,316
Net investment income	34,085
Other nonoperating expenses	(18,962)
Net nonoperating revenues	13,834,945

(Continued)

The accompanying notes are an integral part of this statement.

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

LOSS BEFORE OTHER REVENUES	($287,702)
Capital grants and gifts	1,598,354
INCREASE IN NET ASSETS	1,310,652
NET ASSETS AT BEGINNING OF YEAR, RESTATED (note 13)	6,715,949
NET ASSETS AT END OF YEAR	$8,026,601

(Concluded)

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows From Operating Activities:	
Tuition and fees	$1,997,603
Grants and contracts	1,633,373
Sales and services of educational departments	30,337
Auxiliary enterprise receipts	15,162
Payments for employee compensation	(6,921,886)
Payments for benefits	(2,197,443)
Payments for utilities	(355,961)
Payments for supplies and services	(3,366,330)
Payments for scholarships and fellowships	(3,487,254)
Other receipts	303,444
Net cash used by operating activities	(12,348,955)
Cash Flows From Noncapital Financing Activities:	
State appropriations	5,500,616
Federal nonoperating revenue - ARRA receipts	1,756,859
Gifts and grants for other than capital purposes	6,034,378
TOPS receipts	254,518
TOPS disbursements	(254,518)
FEMA receipts	340,289
Net cash provided by noncapital financing activities	13,632,142
Cash Flows From Capital Financing Activities:	
Capital grants and gifts received	1,290
Purchases of capital assets	(557,092)
Net cash used by capital financing activities	(555,802)
Cash Flows From Investing Activities:	
Interest received on investments	34,085
Net cash provided by investing activities	34,085

(Continued)

The accompanying notes are an integral part of this statement.

SOWELA TECHNICAL COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
Statement of Cash Flows, 2011

Net increase in cash	$761,470
Cash at beginning of year, restated	5,403,375
Cash at end of year	$6,164,845
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	($14,122,647)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	590,997
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(183,417)
(Increase) in inventories	(1)
Decrease in prepaid expenses	40,762
Increase in accounts payable	311,288
Increase in deferred revenue	284,019
Increase in amounts held in custody for others	1,999
(Decrease) in compensated absences	(19,955)
Increase in other liabilities	748,000
Net cash used by operating activities	($12,348,955)
Noncash Investing, Noncapital Financing, and Capital and Related Financing Transactions:	
Capital grants and gifts	$833,437
Noncash loss on capital assets	(18,962)
Total noncash transactions	$814,475

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

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

The College is located at 3820 Senator J. Bennett Johnson Avenue, Lake Charles, Louisiana. The College offers associate of applied science degrees in the areas of accounting technology, aviation maintenance technology, commercial art, computer technology-networking specialist, computer technology-programming specialist, criminal justice, drafting and design technology, industrial electronics technology, industrial instrumentation, office systems technology, and process technology; technical competency areas in certified nurse assistant; an associate in general studies; and technical diplomas in the areas of automotive technology, collision repair technology, culinary arts and occupations, general apprenticeship: electrical construction, general apprenticeship: plumbing construction, industrial electrician, practical nursing, and welding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

Using the criteria established in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The College is part of the System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the Colleges within the System primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of the College.

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

C. BASIS OF ACCOUNTING

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

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

D. BUDGETARY PRACTICES

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

E. CASH

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

F. INVESTMENTS

Investments reported on the Statement of Net Assets include a nonnegotiable certificate of deposit whose original maturity exceeds three months.

G. INVENTORIES

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

H. CAPITAL ASSETS

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

I. DEFERRED REVENUES

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

J. 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.

K. COMPENSATED ABSENCES

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

Upon separation or termination of employment, both classified and nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and nonclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of

1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

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

L. NET ASSETS

The College's net assets are classified as follows:

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

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

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

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

M. CLASSIFICATION OF REVENUES AND EXPENSES

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

The College has classified its expenses as either operating or nonoperating according to the following criteria: (1) Operating expenses generally include transactions resulting from providing goods or services, such as payments to vendors for goods or services;

payments to employees for services; and payments for employee benefits. (2) Nonoperating expenses include transactions resulting from financing activities, capital acquisitions, and investing activities.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

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.

P. ELIMINATING INTERFUND ACTIVITY

Activities between the College's internal funds are eliminated for purposes of preparing the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Net Assets.

2. CASH

At June 30, 2011, the College has cash (book balance) of $6,164,845 as follows:

Petty cash	$600
Interest-bearing demand deposits	6,164,245
Total	$6,164,845

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the College or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2011, the College has $6,557,136 in deposits (collected bank balances), which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2011, the College has restricted investments totaling $46,767 as follows:

	Fair Value June 30, 2011	Investment Maturities (Years)	Credit Quality Rating
Nonnegotiable certificates of deposit	$46,767	0.21	Not Applicable

This investment is a nonnegotiable certificate of deposit whose original maturity exceeds three months. The investment is reported at fair market value on the Statement of Net Assets as a noncurrent asset.

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of allowances for doubtful accounts, at June 30, 2011. These receivables are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Net Receivables
Student tuition and fees	$351,521	($253,295)	$98,226
State and private grants and contracts	1,213,886		1,213,886
Other	51,442		51,442
Total	$1,616,849	($253,295)	$1,363,554
Due from Federal Government	$89,926	NONE	$89,926

There is no noncurrent portion of receivables.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2011, follows:

	Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$555,605				$555,605
Construction-in-progress	213,537	$833,436	($433,996)		612,977
Total capital assets not being depreciated	$769,142	$833,436	($433,996)	NONE	$1,168,582
Other capital assets:					
Buildings	$8,490,156	$125,745	$433,996		$9,049,897
Less accumulated depreciation	(4,649,646)	(208,027)			(4,857,673)
Total buildings	3,840,510	(82,282)	433,996	NONE	4,192,224
Equipment	3,986,150	431,348		($216,305)	4,201,193
Less accumulated depreciation	(2,703,203)	(382,970)		197,343	(2,888,830)
Total equipment	1,282,947	48,378	NONE	(18,962)	1,312,363
Total other capital assets	$5,123,457	($33,904)	$433,996	($18,962)	$5,504,587
Capital asset summary:					
Capital assets not being depreciated	$769,142	$833,436	($433,996)		$1,168,582
Other capital assets, at cost	12,476,306	557,093	433,996	($216,305)	13,251,090
Total cost of capital assets	13,245,448	1,390,529	NONE	(216,305)	14,419,672
Less accumulated depreciation	(7,352,849)	(590,997)	NONE	197,343	(7,746,503)
Capital assets, net	$5,892,599	$799,532	NONE	($18,962)	$6,673,169

6. PENSION PLANS

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

Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the College are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. For fiscal year 2011, employees contributed 8% (TRSL) and 7.5% (LASERS) of covered salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. The state is required to contribute 20.2% of covered salaries to TRSL and 22% of covered salaries to LASERS for fiscal year 2011. The State of Louisiana, through the annual appropriation to the College, funds the College's employer contribution. The College's employer contributions to TRSL for the years ended June 30, 2011, 2010, and 2009 were $907,645; $695,439; and $732,168, respectively, and to LASERS for the years ended June 30, 2011, 2010, and 2009 were $174,411; $187,221; and $203,323, respectively, equal to the required contributions for each year.

7. OPTIONAL RETIREMENT SYSTEM

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

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

R.S. 11:927 set the contribution requirements of the plan members and the system equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the College are 20.2% of the covered payroll for fiscal year 2011. The participant's contribution, which was 8% for fiscal year 2011, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $68,147 and $33,432, respectively, for the year ended June 30, 2011.

8. OTHER POSTEMPLOYMENT BENEFITS

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

Funding Policy. The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the College are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) Plan, and the Medical Home HMO Plan. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans--three HMO plans during calendar years 2010 and 2011, two private fee-for-service (PFFS) plans during calendar year 2010, and two PPO plans during calendar year 2011. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO-POS Plan, and Vantage HMO-POS Plan. The two PFFS plans are Humana PFFS Plan and Secure Horizons Medicare Direct PFFS Plan. The two PPO plans are Humana PPO Plan and United Healthcare PPO Plan.

Employees hired before January 1, 2002, pay approximately 25% of the cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees hired on or after January 1, 2002, pay a percentage of the total contribution based on the following schedule:

Service	Retiree Share	State Share
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

Shown below are the total monthly premium rates in effect for the plan year 2010-11.

	PPO	HMO	Medical Home Health Plan
Active			
Single	$559	$528	$532
With Spouse	1,187	1,121	1,130
With Children	681	644	649
Family	1,251	1,182	1,192
Retired, No Medicare and Re-employed Retiree			
Single	$1,039	$985	$990
With Spouse	1,835	1,739	1,748
With Children	1,158	1,097	1,102
Family	1,826	1,731	1,739
*Retired, with 1 Medicare			
Single	$338	$326	$322
With Spouse	1,249	1,191	1,189
With Children	585	561	557
Family	1,664	1,585	1,584
*Retired, with 2 Medicare			
With Spouse	$607	$584	$578
Family	752	723	716

*All members who retire on or after July 1, 1977, must have Medicare Parts A and B to qualify for the reduced premium rates.

	Calendar Year 2011		Calendar Year 2010	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana (HMO Plan)	$145	$290	$149	$298
People's Health (HMO Plan)	$115	$230	$142	$284
Vantage (HMO Plan)	$258	$516	$198	$396
Humana (PFFS Plan)	n/a	n/a	$165	$330
Humana (PPO Plan)	$149	$298	n/a	n/a
Secure Horizons (PFFS Plan)	n/a	n/a	$199	$397
United Health Care (PPO Plan)	$199	$397	n/a	n/a

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 fifty cents for retirees and twelve cents for spouses. The monthly premium is reduced to less than $1 per thousand for retired employees age 70 and over. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability. The College's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer and is an amount actuarially determined in accordance with GASB 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2011 is $1,034,900.

The following schedule presents the components of the College's OPEB obligation for fiscal year 2011, the amount actually contributed to the plan, and changes in the College's net OPEB obligation to the OPEB plan.

ARC	$1,034,900
Interest on net OPEB obligation	136,000
ARC adjustment	(129,900)
Annual OPEB cost	1,041,000
Contributions made - current year retiree premiums	(293,000)
Increase in net OPEB obligation	748,000
Beginning net OPEB obligation at June 30, 2010	3,399,800
Ending net OPEB obligation at June 30, 2011	$4,147,800

The College's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2011, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$1,667,816	18.9%	$2,536,239
June 30, 2010	1,189,800	27.4%	3,399,800
June 30, 2011	1,041,000	28.1%	4,147,800

Funded Status and Funding Progress. Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, during fiscal year 2011, neither the College nor the State of Louisiana contributed to it. Since no contributions were made, the College's entire actuarial accrued liability (AAL) of $12,833,800 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2010, was as follows:

AAL	$12,833,800
Actuarial value of plan assets	NONE
UAAL	$12,833,800
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$4,317,800
UAAL as percentage of covered payroll	297%

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, 2010, 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 8.0 % and 9.1% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. There were no other changes in assumptions.

9. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2011, are as follows:

Vendors	$823,671
Salaries and benefits	273,807
Other	5,909
Total	$1,103,387

10. DEFERRED REVENUES

For the year ended June 30, 2011, the amount of tuition and fees, grants and contracts, and rental income recorded prior to the end of the fiscal year but related to the subsequent accounting period is as follows:

Tuition and fees	$278,513
Grants and contracts	861,128
Rental income	59,490
Total	$1,199,131

11. COMPENSATED ABSENCES

At June 30, 2011, employees of the College have accumulated and vested annual, sick, and compensatory leave benefits of $396,302; $285,682; and $171, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. The following is a schedule of changes in the liability associated with compensated absences:

Balance as of June 30, 2010	$702,110
Additions	160,999
Reductions	(180,954)
Balance as of June 30, 2011	$682,155
Amounts due within one year	$56,953

12. RESTRICTED NET ASSETS

At June 30, 2011, the College has $866,714 in restricted expendable net assets as follows:

Academic excellence fee	$409,295
Building use fee	40,777
Operational fee	48,054
Vehicle registration fee	42,955
Student technology fee	203,911
Scholarships	56,660
Student government	51,219
Grants and contracts	13,843
Total	$866,714

Of the total restricted net assets at June 30, 2011, $744,992 is restricted by enabling legislation.

13. RESTATEMENT OF BEGINNING NET ASSETS

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

Net Assets at June 30, 2010	$6,745,742
Outstanding wire transfer	(25,465)
Cash corrections	634
Accounts receivable corrections	(4,462)
Correction to deposit	(500)
Net Asset at June 30, 2010, restated	$6,715,949

14. CONTINGENT LIABILITIES AND RISK MANAGEMENT

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. The College is involved in two lawsuits at June 30, 2011, one handled by contract attorneys and one handled by Office of Risk Management. In the opinion of legal counsel, it is not probable that the College will incur a liability in either case.

15. FOUNDATION

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

16. DEFERRED COMPENSATION PLAN

Certain employees of the College participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

17. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act (ARRA) expenses incurred in fiscal year 2011 consisted of the following programs and amounts:

Programs:	
State Fiscal Stabilization Fund (Federal Nonoperating Revenue)	$1,756,859
Empower Lousiana State Buildings Program (Operating Federal Grants & Contracts Revenue)	186,448
Total ARRA revenues	$1,943,307

18. CONSTRUCTION-IN-PROGRESS

Construction has been approved for a Nursing and Allied Health Building. Funding will be composed of $3 million from Facility Planning and Control, $4 million from the sale of bonds by LCTCS Facility Corp, and $2 million from statutory dedication being held by the System. The project is currently in the planning phase and an expected date of completion is undeterminable at this time.

19. SUBSEQUENT EVENTS

In November 2010, the Board of Supervisors of the System approved the consolidation of the College with the Morgan Smith campus. As of July 1, 2011, the Morgan Smith campus is reported as a part of the College.

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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.

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

Schedule of Funding Progress for the
Other Postemployment Benefits Plan
Fiscal Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2008	NONE	$17,578,700	$17,578,700	0.0%	$4,295,300	409%
July 1, 2009	NONE	$14,467,000	$14,467,000	0.0%	$4,495,900	322%
July 1, 2010	NONE	$12,833,800	$12,833,800	0.0%	$4,317,800	297%

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

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

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 7, 2011

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

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

We have audited the basic financial statements of SOWELA Technical Community College, a College within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified one certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness.

Weaknesses in Recording and Reporting Financial Information

SOWELA Technical Community College (SOWELA) did not maintain sufficient internal controls to ensure that transactions were posted accurately and timely in its accounting system (PeopleSoft) or that certain financial information was accurately included in the annual fiscal report.

Our review of SOWELA's financial information noted the following deficiencies:

- Transactions were not posted timely to PeopleSoft. During fiscal year 2011, 54% of the transactions were posted to PeopleSoft more than 30 days after they occurred.

Days Between Transaction Occurrence and Transaction Posted	Percentage of Transactions
30 - 89 Days	24%
90 - 149 Days	14%
150 - 199 Days	8%
Over 200 Days	8%
Total	54%

- As a result of the untimely posting, SOWELA did not perform timely and effective monthly bank reconciliations. As of April 2011, the operating bank account was reconciled through July 2010; the British Petroleum grant account was reconciled through January 2011; and the federal bank account was reconciled through March 2011. Besides the untimeliness, the bank reconciliations performed contained numerous reconciling items since these items had not been posted to PeopleSoft.

- Transactions were posted to the accounting system without all the pertinent information. Transactions were posted to the general ledger without project, program, and/or department IDs. The IDs are used to identify transactions to be included in calculations for closing entries made for financial reporting purposes and to identify transactions related to grants and contracts. Failure to include the IDs in the accounting records could cause inaccurate calculations for financial reporting or under billing reimbursement based grants and contracts. As a result, the incomplete transactions caused the following:

- Deferred revenues for tuition and fees were understated by $28,276 because the department ID for summer tuition was not recorded.

- Deferred revenues for grants were understated by $178,500 because the project ID was not recorded.

- SOWELA's financial statements included the following errors:

  - SOWELA duplicated expense and payable transactions causing an overstatement of $256,234. As a result, SOWELA overstated revenues and receivables for the Federal Emergency Management Agency (FEMA) reimbursement grant by $116,143.

  - Deferred revenue was overstated by $197,750 because the prior year balance was not removed from the account properly.

  - State grants totaling $178,058 were misclassified as non-operating gift revenue and tuition and fee revenue rather than state grants and contracts revenue.

  - Student fees totaling $119,224 were misclassified as other operating revenues rather than tuition and fees revenues.

Good internal controls should ensure that transactions are posted properly and timely to the accounting system and an adequate review process is maintained to ensure the financial statements are accurate. Weaknesses over accurate and timely posting of transactions in the accounting system and financial reporting could cause a material misstatement of the financial statements, unreliable accounting records to perform calculations or monitor financial transactions, and inaccurate billings for reimbursement based grants and contracts. In addition, there is an increased risk that errors and/or fraud could occur and remain undetected.

Management should ensure that transactions are posted accurately and timely to PeopleSoft and financial information is reviewed thoroughly to ensure that errors are detected and corrected timely. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Weaknesses in Controls Over Travel and Expense Reimbursements

SOWELA did not maintain sufficient controls over travel and expense reimbursements to ensure that transactions are in compliance with the Division of Administration's Policy and Procedure Memorandum (PPM) 49 and the Louisiana Administrative Code (LAC). As a result, overpayments and questionable expenses paid to employees by the college totaled $983.

Audit procedures disclosed the following deficiencies:

- For 21 of 36 (58%) travel or meal reimbursements, SOWELA either did not maintain adequate supporting documentation in the travel files such as itemized receipts and hotel receipts or did not follow applicable regulations.

- For five reimbursements, the chancellor received actual amounts for meals without itemized receipts as required by PPM 49. In one instance where an itemized receipt was provided, alcohol was reimbursed as part of the actual meal expense in violation of PPM 49. Overpayments totaled $92.

- An employee was paid for mileage from Lake Charles to New Orleans for four days at 99 miles per day although the employee was also reimbursed for a hotel in New Orleans for those four days and therefore did not or should not have been driving back and forth. This error caused an overpayment of $143.

- For seven conference reimbursements, the attendees claimed and received per diem for meals that were already included in the conference registration fee resulting in an overpayment of $172.

- For four reimbursements, employees claimed and received hotel expense reimbursements above the rate allowed by PPM 49 without support that attempts were made to check prices in surrounding areas as required by PPM 49, resulting in an overpayment of $162.

- For two reimbursements, an employee claimed and received hotel expense reimbursements above the rate allowed by PPM 49, resulting in an overpayment of $391.

- For one reimbursement, an employee claimed and received actual amounts for meals although PPM 49 limits reimbursements for actual meal costs to only elected officials, appointing authorities, and similar positions in higher education, resulting in an overpayment of $23.

The following deficiencies were identified within the Daily Vehicle Usage Log entries associated with the reimbursements reviewed above:

- Five entries in SOWELA's vehicle logs did not agree to approved travel documentation. Trips to Monroe, Baton Rouge, and New Orleans recorded in the vehicle logs were not supported by travel documentation. LAC Title 34, Part XI subsection 103(A)(2)(g)(i)(c) states that it is the responsibility of the agency transportation coordinator to ensure that all Daily Vehicle Usage Logs contain accurate information on miles traveled, repair/maintenance costs, and operating costs and are complete.

- Based upon interviews with Dr. Teresa Jones, Special Assistant to the Chancellor for Internal and External Affairs, and other SOWELA administrators and our examination of related supporting documentation, including the travel reimbursement request and gas receipts, a SOWELA vehicle was taken out of state without proper justification as required by PPM 49 section 1504(C)(1)(c).

  Dr. Jones was approved by the Chancellor to travel to Memphis, Tennessee, to meet with a SACS consultant at Southwest Tennessee Community College and then to Alexandria, Louisiana, for a LCTCS meeting. Dr. Jones departed Lake Charles on November 19, 2009. The Chancellor provided us with a memorandum, dated July 1, 2011, noting that she made personal flight arrangements to travel to Memphis, Tennessee, for Thanksgiving. Instead, Dr. Jones informed us that the Chancellor rode with her from Lake Charles to Memphis on November 19, 2009. A gas receipt indicated that the SOWELA vehicle was in Magnolia, Mississippi, on November 19, 2009. After traveling to Memphis, Dr. Jones drove the SOWELA vehicle from Memphis to Shreveport, Louisiana, as evidenced by a gas receipt from Little Rock, Arkansas, on November 24, 2009. Dr. Jones kept the SOWELA vehicle at her residence in Shreveport over the Thanksgiving holidays. On November 30, 2009, the Chancellor flew from Memphis to Shreveport, and on the same day, Dr. Jones and the Chancellor drove in the SOWELA vehicle from Shreveport to Alexandria for the December 1 LCTCS meeting.

  If a state-owned vehicle is to be used to travel to a destination more than 500 miles from its usual location, PPM 49 requires documentation evidencing that this is the most cost-effective means of travel. No such justification for the use of the SOWELA vehicle was documented by SOWELA. In addition, information relating to this trip in the Daily Vehicle Log, which was initialed by Dr. Jones, was not consistent with the actual travel. The log listed locations of Baton Rouge, Louisiana; Natchez, Mississippi; and Alexandria, Louisiana, when the actual travel was to Memphis and Alexandria. The mileage recorded on the log, 1,354 miles, coincided more closely with traveling to Memphis instead of the locations listed on the log.

SOWELA failed to properly review and/or maintain employee travel requests/ reimbursement documentation for compliance with PPM 49 and LAC. As a result, SOWELA overpaid employees for travel expenses incurred and was in noncompliance with PPM 49 and LAC.

Management should establish procedures to ensure compliance with PPM 49 and LAC. Where appropriate, SOWELA management should also recoup overpayments. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, pages 2-5).

Additional Comments: Management indicated in its response that four of five instances of in-state travel cited for lack of documentation were routine travel and did not require supporting documentation. Because of the lack of adequate supporting documentation, management could not support its claim that these trips, ranging from 200 to 500 miles each, were routine travel.

Management also indicated in its response that Dr. Jones did not initial and complete the Daily Vehicle Usage Log and that the log was completed by an employee of the Facilities' department for Dr. Jones. This apparent delegation by Dr. Jones may not remove her responsibility as per Louisiana law and SOWELA policy. This action may constitute injuring, filing or maintaining false public records per R.S. 14:132 and R.S. 14:133. The Daily Vehicle Usage Log used by SOWELA states, "the above record reflects an accurate accounting of the use of this state-owned vehicle **as attested to by the operator's initials by each entry**."

Inadequate Collection Procedures Over Student Account Receivables

SOWELA did not perform collection follow-up procedures on student account receivables during fiscal year 2011 in accordance with LAC Title 4, Part XIII. Collection follow-up procedures include sending the debtor/student three billing statements and then forwarding the account to a collection agency.

Our review of accounts receivable noted the following deficiencies:

- Student receivables from fiscal year 2011 generated from signed deferment plans totaled $74,399 and NSF payments totaled $6,815. SOWELA did not send a billing statement and did not submit follow-up notifications for these outstanding balances.

- Student receivables generated from fiscal year 2011 Return of Title IV calculations totaled $102,174. SOWELA did not send follow-up notifications for amounts owed back to the College.

- Student accounts with an outstanding balance were not being sent to a collection agency during fiscal year 2011 as required by LAC Title 4, Part XIII.

Failure to perform collection follow-up procedures increases the risk that accounts will become uncollectible and may impact SOWELA's ability to fund its ongoing operations.

SOWELA management should establish a written policy on accounts receivable to define the billing cycles and when accounts should be submitted to the collection agency and should aggressively pursue collection of past due student receivables. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 6).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SOWELA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Untimely Deposits and Potential Misuse of Funds

SOWELA did not deposit funds from the sale of copper wiring and may have spent those funds in violation of Article 7, Section 14 of the Louisiana Constitution.

Based on supporting documentation, $1,240 worth of copper wire was stripped and sold by the Office of Director of Facilities Management to a recycling facility in February and November 2010. The funds were not deposited into SOWELA's bank account. Instead, the funds were kept on hand in the Office of Director of Facilities Management. The funds were accounted for as follows:

- $1,101 was spent on items such as snacks, meals, coffee, and cook-out related expenses. In one instance, we noted that an employee spent $12 for a meal and then requested and received reimbursement from the business office for the meal.
- $61 was deposited in SOWELA's bank account during our procedures. This deposit was 548 days after the initial receipt of cash.
- $78 was unaccounted for by SOWELA.

Failure to enforce adequate controls over timely deposits of funds increases the risk of loss arising from errors or fraud. In addition, maintaining College funds as cash to be used by a department and using the cash for non-business related expenses rather than depositing the funds in the College's bank account results in potential noncompliance with the Louisiana Constitution and increases the susceptibility of the funds to misappropriation.

Management should implement internal controls to ensure that all funds received by SOWELA are deposited timely and spent properly. Management concurred in part with the finding and provided a plan of corrective action. Management did not concur with the part of the finding regarding not depositing the funds because the Finance Department was not aware of the existence of the funds (see Appendix A, page 7).

Additional Comment: Management should establish controls to ensure that all funds received by SOWELA, even at the department level, are deposited timely.

Noncompliance With Hardship Waivers Requirements

SOWELA's application process for hardship waivers of tuition and fees was not posted on its Web site so that students could apply for the waivers before registration as required by Louisiana Community and Technical College (LCTCS) policy (5.021) and state law [Louisiana Revised Statutes (R.S.) 17:3351(A)(5)(d) and 17:3351.10]. As a result, no student applied for hardship waivers during fiscal year 2011.

Failure to notify students timely of the application process for hardship waivers results in noncompliance with LCTCS policy and state law. This noncompliance may cause a financial loss for students who were eligible for the waivers.

SOWELA should include the application and criteria for hardship waivers on its Web site to ensure that it is easily accessible to all current and prospective students and to ensure compliance with LCTCS policy and state law. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 8).

Theft of Property Not Reported

SOWELA did not report misappropriations of College-owned property to the legislative auditor and the local district attorney as required by R.S. 24:523 or to the LCTCS Director of Internal Audit as required by LCTCS policy 5.019.

On April 21, 2011, the Calcasieu Parish Sheriff's Office issued a police report recording the break-in and theft of property at SOWELA. Several pieces of audio video equipment, with a total value of $25,192, were stolen. SOWELA did not report in writing the instances of misappropriation to the legislative auditor, the local district attorney, or the LCTCS Director of Internal Audit as required by state law and LCTCS policy. Failure to report misappropriations of property results in noncompliance with state law and LCTCS policy.

SOWELA should ensure that any misappropriations of public funds or assets are immediately reported in writing to the legislative auditor, the local district attorney, and the LCTCS Director of Internal Audit. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 9).

This report is intended solely for the information and use of SOWELA management, the LCTCS, the LCTCS Board of Supervisors, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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SOWELA 2011

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

SOWELA
TECHNICAL COMMUNITY COLLEGE

November 7, 2011

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

Re: Audit Finding – Weakness in Recording and Reporting Financial Information

We concur with your finding and recommendation that Sowela should post transactions accurately and timely and thoroughly review transactions to ensure that errors are detected and corrected timely.

On the comment concerning the bank reconciliations, we agree that the posting of transactions and reconciliations were not performed timely. However, all three bank accounts were reconciled until all transactions were posted. In addition, all three accounts were reconciled through June 30, 2011, by or before July 20, 2011.

The Controller has instituted a new policy of Supervisory review and approval of each nonstandard journal entry to be effective on November 30, 2011. The Controller has also established a policy that requires communication, review, and approval of an analytical comparison each year of the fiscal year end trial balance to the previous year's trial balance by all personnel involved in the posting or approval of accounting transactions in the Finance Department. The Vice Chancellor of Finance has prepared a crosswalk of the accounts in the old computer system to the new Banner System. This will facilitate the selection of accounts in the new system and help ensure the accuracy of posting of transactions.

Sincerely,

Jeanine Newman

Vice Chancellor of Finance

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SOWELA
TECHNICAL COMMUNITY COLLEGE

November 5, 2011

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

Re: Audit Finding – Weakness Over Travel and Expense Reimbursements

We concur with your general travel finding and recommendation that Sowela should improve controls and procedures to ensure full compliance with PPM 49 and LAC. As explained below, many improvements have already been implemented and more are scheduled for implementation over the next several months.

We offer the following responses and additional information:

8th bullet – Daily Vehicle Usage Log - Vehicle logs did not agree to, or were not supported by, approved travel documentation.
Four of the five instances cited were for in-state travel that was routine, did not require written authorization, and for which the traveler had not claimed reimbursement for meals, lodging, or other travel costs; therefore, there was no other supporting documentation necessary under PPM 49 guidelines.

9th bullet – A Sowela vehicle was taken out of state without proper justification as required by PPM 49 section 1504 C (1)(c).
We concur that PPM 49 requires an analysis or evidence that the most cost-effective means of this travel was by vehicle. In the future, we will ensure that this requirement is strictly followed.

We offer the following as further explanation of the circumstances related to Dr. Miller's and Dr. Jones' travel during the period from November 19 through December 1, 2009.

Approximately two months before the Thanksgiving holidays, the Chancellor used personal funds to purchase a round trip airplane ticket to Memphis for the holidays. As the Thanksgiving

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holidays approached, she realized that much additional work needed to be done in order to complete Sowela's SACS (Southern Association of Colleges and Schools) application for accreditation by the deadline of February 1, 2010. On November 2, 2009, Dr. Miller scheduled a consultation visit with Southwest Tennessee Community College (SWTCC) to go over Sowela's SACS application/Institutional Effectiveness Plan. This visit was scheduled to take place on Friday November 20th and Monday November 23rd. Additionally, on the same day a meeting was scheduled for Dr. Teresa Jones to meet with individuals at Southern University Shreveport (SUSLA) for assistance with the SACS application. This meeting was scheduled for Wednesday, November 25, 2009.

The decision to use a state vehicle for this travel was made because it was more cost effective for two people to travel by car to Memphis rather than to fly. It was also more cost effective for the Chancellor and Dr. Jones to travel to SWTCC and SUSLA rather than pay for travel of staff from these institutions to Sowela. In addition, they had to bring many binders, laptops, a printer and other documents with them to Memphis in order to do the necessary work on the SACS application. Transporting these documents by air would have been not only costly, but risky due to the possible loss of files and/or equipment.

Employees of SWTCC and SUSLA were experienced in preparing SACS applications and had agreed to assist Sowela in preparing our application at no charge, saving the State money. In lieu of paying the travel expenses of these employees to come to Sowela, it was decided to go to Memphis and Shreveport. The timing of the travel to Memphis and Shreveport was based on the availability of the employees of SWTCC and SUSLA to provide assistance to Sowela and the urgent need to complete the application by the SACS deadline of February 1, 2010. This rapidly approaching deadline required an increased effort to complete the application because of the impending Thanksgiving and Christmas holidays; end of term activities; spring registration; and beginning of term activities that would be held in January. In addition, on November 6, 2009, the Chancellor was informed by the LCTCS Office that she needed to attend a meeting in Alexandria, Louisiana on Tuesday, December 1, 2009. Based on all these factors, the Chancellor restructured her travel plans to ensure that she could attend the scheduled meetings and do the necessary work on the SACS application. As a result, she did not exercise the use of her airfare purchased personally to travel to Memphis.

The assistance by SWTCC was provided on Friday, November 20, 2009, and Monday, November 23, 2009 as scheduled. An Official of Southern University Shreveport Louisiana (SUSLA) also provided assistance to Dr. Jones on the SACS application on Wednesday, November 25, 2009 as scheduled. Documentation to support the assistance provided by these two entities to Sowela is on file.

Dr. Jones and the Chancellor traveled to Alexandria, Louisiana on Monday, November 30, 2009, in order to attend the LCTCS meeting held on Tuesday, December 1, 2009.

Based on interviews with Dr. Jones and Sowela's Facilities Department employees, Dr. Jones did not initial and complete the Daily Vehicle Log. The log was completed by an employee of the Facilities' department. The information logged was from gas receipts and other information and did not accurately represent the use of the vehicle by Dr. Jones.

In order to improve controls and procedures and ensure full compliance with PPM 49, LAC, and LCTCS policies, the following actions have been, or will be, taken:

Changes in travel process and flow

- Currently, an employee in one of our central offices prepares travel documents, makes travel arrangements, and approves CBA charges for the majority of travelers at Sowela. This responsibility will be transferred to the traveler and administrative support personnel in each campus department. This is expected to result in the reporting of more accurate information on both the travel and reimbursement requests and, therefore, greater adherence to PPM 49. Responsibility for approval of CBA charges will be assumed by the Controller, with the Vice Chancellor of Finance as his backup.

- Completed documents are now routing to an employee in the Finance Office who is responsible for a detailed audit of the forms before they are routed to the Controller and/or Vice Chancellor of Finance for approval. This employee will receive training in all aspects of travel processing. She will also serve as a resource for campus departments who have travel related questions.

- Within days after learning of the possible issues with meal reimbursements, the Chancellor issued a memo dated July 22, 2011, addressed to the Vice Chancellor of Finance with copies to members of her office staff and others involved in travel processing. This memo stated that she is requesting reimbursements of meals at the state per diem rate, rather than actual cost. Employees were instructed to disregard any meal charges that appear on hotel or other receipts, and apply the state per Diem instead. This memo was sent out by the Controller to all staff in the Business Office who process travel reimbursements.

- The Chancellor has arranged for on-campus training to be conducted by the Office of State Travel and the Sowela Finance Office. This training will be mandatory for all employees who have any type of travel responsibility.

- Some Finance Office personnel participated in a travel policy training session conducted October 20th at another local College by the Office of State Travel.

- The Chancellor insists on fully reimbursing the College for any identified overpayments.

- We will review all overpayments to Sowela staff and seek reimbursement as appropriate.

All of the above steps will be implemented by January 20, 2012.

Sincerely

Jeanine Newman

Vice Chancellor of Finance

SOWELA
TECHNICAL COMMUNITY COLLEGE

November 7, 2011

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

Re: Audit Finding – Inadequate Collection Procedures Over Student Account Receivables

We concur with your finding and recommendation that Sowela should aggressively pursue collection of past due student receivables.

The Vice Chancellor of Finance will send a collection letter and have the appropriate delinquent student receivables sent to a collection agency during the fiscal year 2012 and adopt a written policy on accounts receivable to define the billing cycles and when accounts should be submitted to the collection Agency, to be completed by December 16, 2011. Sowela will send billing statements to students for the remaining delinquent accounts as soon as possible after we transfer our student receivables to the new Banner System. We estimate this to be accomplished by August 31, 2012.

Sincerely,
Jeanine Newman

Vice Chancellor of Finance

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SOWELA
TECHNICAL COMMUNITY COLLEGE

November 7, 2011

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

Re: Audit Finding – Untimely Deposits and Potential Misuse of Funds

We concur in part with your finding and recommendation. We concur that the Office of Director of Facilities Management stripped and sold wire left from construction debris and did not notify the Finance Department of these transactions or remit the funds to Sowela for deposit and control.

We do not concur with the part of your finding that cites Sowela for not depositing funds from the sale of copper wiring. The Sowela Finance Department could not deposit funds from the sale of the copper wire that we did not have under our control or knowledge of their existence. Once the Finance Department was notified of the existence of these funds we immediately obtained control of the remaining funds, deposited them to our bank account, and notified the System Internal Audit Department.

To ensure this type transaction does not occur in the future we will communicate to all employees that before disposing of any property, including construction debris, authorization for the disposal must be obtained from the Finance Department, Vice Chancellor for Finance or Controller. The Vice Chancellor for Finance will make this communication to all employees by November 30, 2011, and at least annually thereafter.

Sincerely,

Jeanine Newman

Jeanine S. Newman
Vice Chancellor of Finance

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SOWELA

September 12, 2011

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

Re: Audit Finding – Noncompliance with Hardship Waivers Requirements

We concur with your finding and recommendation that Sowela should include the application and criteria for hardship waivers on its website to ensure that it is easily accessible to all current and prospective students and to ensure compliance with LCTCS policy and state law.

When our audit began on July 13, 2011, we were in the process of developing our Hardship Waiver of Tuition and Fees Policy and obtaining the appropriate reviews and approvals for the policy. Our final policy was approved by the Chancellor on August 12, 2011 and the policy and application form were placed on our website on August 25, 2011, for access by students. On September 1, 2011, Sowela's catalog on our website was updated to include the Hardship Waiver of Tuition and Fee policy.

Our corrective action for this finding has been completed and the contact person responsible for the corrective action is the Vice Chancellor of Finance. In the registration process for the current fall semester, we had 9 students apply for the Hardship Waiver and 5 were ineligible. Two students have been approved for the Waiver and two students are in the review process.

Sincerely,

Jeanine Newman

Jeanine S. Newman
Vice Chancellor of Finance

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November 7, 2011

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

Re: Audit Finding – Theft of Property Not Reported

We concur with your finding and recommendation that Sowela should ensure that any misappropriations of public funds or assets are immediately reported in writing to the Legislative Auditor, the local District Attorney, and the Louisiana Community and Technical College System (LCTCS).

On April 27, 2011, Sowela's Office of Facilities Management was notified of a forced entry into the video classroom and the theft of various pieces of equipment housed there. The Office of Facilities Management immediately notified the Calcasieu Parish Sheriff's Office of the theft and reported it in writing to the State Office of Risk Management on May 19, 2011, and to the Louisiana Property Assistance Agency on May 9, 2011. In August 2011, the Sowela Finance Department learned of the theft of equipment when reviewing fixed asset transactions for preparation of the Annual Fiscal Report for the fiscal year ended June 30, 2011, and immediately notified the Legislative Audit staff. Sowela's Controller also reported the theft to the LCTCS Director of Internal Audit on August 24, 2011, who then notified the Office of the Legislative Auditor and the Calcasieu Parish District Attorney of the theft on September 2, 2011.

In an email dated August 11, 2011, the Controller made the Office of Facilities Management aware that all such incidents should be reported to the Finance Office immediately upon discovery to ensure that all reporting requirements under LS R.S. 24:523 and LCTCS Policy # 5.019 are met in a timely manner in the future. The Vice Chancellor of Finance will communicate this policy to all employees by November 30, 2011, and annually thereafter, to ensure that all Sowela employees understand and adhere to these reporting requirements.

Sincerely,

Jeannine Newman

Vice Chancellor of Finance

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