

Core Requirement 2.11.1

The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

The member institution provides the following financial statements: (1) an institutional audit (or Standard Review Report issued in accordance with Statements on Standards for Accounting and Review Services issued by the AICPA for those institutions audited as part of a system-wide or statewide audit) and written institutional management letter for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or Standard Review Report) guide; (2) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year; and (3) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board.

Impact Statement

The merged Baton Rouge Community College (BRCC) continues as a member of the Louisiana Community and Technical College System (LCTCS) which is the funding authority for the colleges under its jurisdiction. All funds, obligations, property, programs, facilities, and functions related to the Capital Area Technical College (CATC) have transferred to the merged College. While the merger influences state appropriations, it allow the College to combine and create efficiencies with financial and human resources.

Rationale

Financial Stability

During the 2013 Legislative session, the Louisiana Legislation merged the campuses of Capital Area Technical College (CATC) and Baton Rouge Community College (BRCC), effective July 1, 2013. Baton Rouge Community College maintains a sound financial base and the financial resources to support the mission and strategic initiatives of the institution. Legislative appropriations and self-generated student tuition and fees consistently provide BRCC with the resources to provide instruction that equate to student enrollment. As the state of Louisiana has been faced with consistent budget cuts since the 2008 budget year, BRCC has become more reliant on the income generated from tuition and fees. BRCC is allowed to increase tuition by ten percent annually until the Southern Regional Education Board average of its peers has been met. This also applies to non-resident tuition.

BRCC's revenues for the Fiscal year 2013-2014 totaled \$55,883,620. Of this total, student tuitions and fees net scholarship allowances comprised 28%, while state appropriations comprised 28% ([Figures 2.11.1.1](#)).

Audited Financial Statements

The annual fiscal year end audit requirement is fulfilled by the Louisiana Legislative Auditors (LLA). The LLA provides audit services to Louisiana state agencies including annual audits of the agencies financial statements. Baton Rouge Community College has received unqualified opinions on its audited financial statements for the fiscal years ending 2013 through 2014 ([Figures 2.11.1.2 through 2.11.1.4](#)), which demonstrate that the financial statements fairly present the financial condition of the institution. However, audit findings were noted in each of these fiscal years. The college works diligently to address audit findings as soon as they become apparent.

During Fiscal year 2014, BRCC received an audit finding relative to inadequate control over payroll records. The legislative auditors stated in their 2014 report:

BRCC management should implement controls to ensure that adequate supporting documentation is obtained and maintained, including appropriate supervisory approvals, to support payments to employees and payroll deductions. In addition, BRCC should monitor employee's contracts to ensure the contract maximum amount is not exceeded and accurate pay information is entered into the payroll system.

The matter is being addressed by the Human Resources and Payroll Offices collaboratively. BRCC has increased the Human Resources personnel staff and has begun training of the staff and ensuring that there are sound internal controls with sufficient checks and balances embedded in the processes to ensure that these matters are minimal and low risk.

Annual Budget and Evidence of Sound Budget Planning

Baton Rouge Community College effectively utilizes its fiscal resources to support its mission and the scope of its programs and services by a budget process that reflects the college's strategic plan as discussed in Core Requirement 2.5. The budget year for BRCC is July 1 through June 30.

- College Budget Process – The annual budget development process follows the completion of the unit action plans. Beginning in January of each year, funding needs for new initiatives are identified for development of unit budget requests for the upcoming fiscal year. The first step in the process is the planning and needs assessment of each functional area, including personnel, operating supplies, and capital outlay needs. After the needs of each department are prioritized, the budget requests are forwarded to the appropriate Vice Chancellor for review, ensuring that each request references the College's mission and Strategic Plan. Once the budgets are reviewed by the respective Vice Chancellor, the budgets are then submitted to the Vice Chancellor for Finance who prepares the budget document for presentation to the Chancellor and members of the Executive Team for approval at the college level. The final budget is approved by the Board of Supervisors of the Louisiana Community Technical and College System (LCTCS). Budget managers manage and view the budgets assigned to their departments through the BANNER self-service portal. The LCTCS policy that guides the budget process is presented in [Figure 2.11.1.5](#). BRCC's financial statements for the last six fiscal years are included in Schedule 3 (Net Assets), Schedule 4 (Revenues and Expenses), and Schedule 5 (Cash Flows) of the LCTCS Financial Statement Audits, [Figures 2.11.1.6 through 2.11.1.11](#).

- State Higher Education Budget Process – The 1974 Louisiana Constitution grants the Louisiana Board of Regents (BoR) the authority to require each of the four postsecondary management boards to submit to it an annual budget proposal for the operating and capital needs of the public institutions under its authority ([Figure 2.2.4](#)). After consideration of these proposals, the BoR compiles its budget recommendations, including its recommended priorities for capital construction and improvements, for all state postsecondary education institutions for the ensuing fiscal year for submission to the Louisiana Division of Administration’s Office of Planning and Budget in November. As stated previously, the BoR utilizes a funding formula that incorporates enrollment, cost and performance data, along with other factors, to determine its proposed allocations to the four state systems of higher education, including the LCTCS. In February, the Governor issues the executive budget to the Legislature for their consideration, revision and approval and then it is submitted to the Governor for review, line item vetoes and signature. Once the amount to be budgeted for the LCTCS is known, the funds are allocated to each college in the system according to methodology established by the LCTCS that funds mandated costs upfront to ensure that each college has adequate funds available to cover mandated costs. Remaining funds are then allocated to each college in the system based on the BoR funding formula. The LCTCS also allocates the self-generated revenue budget to each college based on input from the colleges and other data. These final budget allocations are generally made to the LCTCS by June 30th of each year. ([Figure 2.11.1.12](#))

Supporting Evidence

Figure 2.11.1.1	FY 2014 Financial Statement
Figure 2.11.1.2	LLA Financial Audit Report CATC FY2013
Figure 2.11.1.3	LLA Financial Audit Report BRCC FY2012 thru FY2013
Figure 2.11.1.4	LLA Financial Audit Report BRCC Merged FY2014
Figure 2.2.4	State Constitution of 1974 Article VIII Education
Figure 2.11.1.5	LCTCS 5.001 Board Budget Policy
Figure 2.11.1.6	LCTCS FY09 Audit
Figure 2.11.1.7	LCTCS FY10 Audit
Figure 2.11.1.8	LCTCS FY11 Audit
Figure 2.11.1.9	LCTCS FY12 Audit
Figure 2.11.1.10	LCTCS FY13 Audit
Figure 2.11.1.11	LCTCS FY14 Audit
Figure 2.11.1.12	LCTCS Staff Recommendation for FY2014 Operating Budget Approval