

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



———— NICHOLLS STATE UNIVERSITY —————
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

MANAGEMENT LETTER
ISSUED DECEMBER 15, 2004

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Three copies of this public document were produced at an approximate cost of \$5.82. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3491 or Report ID No. 04201457 for additional information.

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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November 29, 2004

NICHOLLS STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Thibodaux, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2004, we considered Nicholls State University's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered Nicholls State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the University of Louisiana System by Nicholls State University is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The university's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on Nicholls State University for the year ended June 30, 2002, we reported a finding relating to an inadequate disaster recovery plan. That finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit report for the year ended June 30, 2004.

Incomplete Academic Payroll Records

Nicholls State University's academic payroll records are incomplete. There are approximately 269 outstanding employee time sheets, some of which have been outstanding since January 2004. Academic employees still receive pay despite the lack

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of records necessary to substantiate the hours they actually worked or the amount of leave taken.

Louisiana Revised Statute 17:3311 A (3) mentions, "Daily attendance and leave records must be maintained for unclassified employees under the jurisdiction of each board." According to the University of Louisiana System Board, Policy Number FS.III.XXI.-1, Section III, Part C, attendance and leave records shall be maintained for all faculty and unclassified employees. These records shall be signed by the employee and the supervisor and reported at least monthly to the appropriate office at the end of each regular pay period.

Management has not emphasized to employees the importance of adhering to established internal control policies and procedures for preparing and submitting employee time sheets. Academic employees are allowed to ignore the payroll department's requests for time sheets. No penalties for noncompliance were enforced, so these employees refused to comply.

This weakness increases the risk that payroll errors or fraud could occur and not be detected timely. In addition, this weakness could result in overpayments to employees and the overstatement of leave earned and accumulated by these employees, which subjects the university's assets to the risk of theft, misuse, and/or abuse.

Management should ensure that employees adhere to established policies and procedures. In addition, management should establish and implement disciplinary action for employee noncompliance. Management of the university concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the university. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the university should be considered in reaching decisions on courses of action. This finding relating to the university's compliance with applicable laws and regulations should be addressed immediately by management.

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This letter is intended for the information and use of the university and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written in a cursive style.

Steve J. Theriot, CPA
Legislative Auditor

KL:JR:PEP:dl

NSU04

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation

NICHOLLS STATE UNIVERSITY

A member of the University of Louisiana System



November 29, 2004

Mr. Steve Theriot, CPA
Legislative Auditor
State of Louisiana
Office of Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804

Dear Mr. Theriot:

Below is the response to the audit finding indicated as a result of the audit of the financial records of Nicholls State University for the period ended June 30, 2004.

FINDING: Incomplete Academic Payroll Records

RECOMMENDATION: Management should ensure that employees adhere to established policies and procedures. In addition, management should establish and implement disciplinary action for employee noncompliance.

RESPONSE: Nicholls State University concurs with the audit finding and recommendation.

The number of timesheets outstanding for January 2004 relates to faculty pay for faculty leave, defined in our faculty handbook as a special form of leave granted to faculty members employed on a nine-month basis (academic year) in lieu of annual leave. Such leave is earned between terms, at holiday periods when students are not in class, and when no faculty activity is scheduled. Although faculty activity is not scheduled between semesters, faculty do receive a paycheck in January as they are paid monthly over the academic year.

The university will require that employees on the academic payroll adhere to established policies and procedures and submit proper daily attendance and leave records as required by LA R.S. 17:311 A(3) and ULS Board policy FS.III.XXI.-1, Section III Part C. Employees will be contacted directly by Payroll department employees when necessary to ensure that all timesheets are turned in as required. Department heads, Deans, and the Vice President/Provost's office, if necessary, will be contacted to provide assistance in the event an employee continues to have an outstanding timesheet.

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In the event an employee continues to have an outstanding timesheet, the Assistant Vice President of Business Affairs for Financial Services will contact the employee directly and send a written notice informing him/her that unless a timesheet is turned in, the employee's paycheck will be held. Any employee who fails to submit a timesheet as required shall not receive a paycheck until the timesheet is turned in.

These changes should correct any internal control weaknesses that may exist and will be the responsibility of Mr. Mike Naquin, Assistant Vice President of Business Affairs for Financial Services/Controller to ensure implementation of corrective action. These changes shall be implemented immediately.

Feel free to contact me if you need any additional information.

Sincerely,



Stephen T. Hulbert
President

cc Lionel O. Naquin, Jr.
Mike Naquin

dcb