

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 23, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

University of Louisiana at Lafayette



December 2019

Audit Control # 80190090

Introduction

As a part of our audit of the University of Louisiana System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at the University of Louisiana at Lafayette (UL Lafayette) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of UL Lafayette's internal controls over financial reporting and compliance; and determine whether UL Lafayette complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the UL Lafayette management letter dated February 6, 2019. The prior-year finding related to Inappropriate System Access has been partially resolved; however, weaknesses in controls still remained and are addressed again in this letter.

Current-year Findings

Inappropriate System Access

For the third consecutive year, the UL Lafayette granted employees inappropriate access to the Banner accounting system. In addition, employee access to Banner was not terminated timely. Inappropriate system access increases the risk of errors, fraud, and noncompliance with laws and regulations. Audit procedures on access as of June 2019 revealed the following:

- Forty-six employees had modify access to various screens without a business need. The access could allow these employees to perform one or more of the following functions: 15 can modify student records such as residency status, field of study, graduation date, etc. and apply academic standing or progress evaluation overrides; and 31 can view, enter, and edit results of need calculation for financial aid.

- Twenty-nine users with modify access to the Banner system as of May 20, 2019, were terminated employees. These users' access remained active between six months to 5.4 years after the employee was terminated.

Management should ensure access is restricted to those functions necessary for its employees' job duties and remove unnecessary or inappropriate access timely. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Failure to Report Misappropriations

During fiscal year 2019, UL Lafayette failed to notify the Louisiana Legislative Auditor (LLA) and the Lafayette Parish District Attorney (DA) of two instances of suspected employee misappropriation. The first involved an employee using UL Lafayette funds to allegedly pay for personal travel expenditures. The second involved an out-of-state employee making personal purchases on the state-issued procurement card. The suspected misappropriations totaling \$2,597 were identified by UL Lafayette through in-house investigations. Both employees were terminated, and the total amount of suspected misappropriations was recouped from the two employees.

UL Lafayette's process for reporting to the LLA and DA is to have the police department initiate the written notification when a theft or misappropriation is reported to them. These incidents were investigated by UL Lafayette staff and not reported to the police. Therefore, the required notifications were not made and, as a result, UL Lafayette did not comply with state law. UL Lafayette is in the process of formalizing and revising its policy to ensure all notifications required by the state law are performed.

Management should update its policies and procedures and communicate such to employees to ensure that there is a clear line of responsibility for the timely reporting of all misappropriations of public funds or assets to the LLA and DA. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2019, we considered UL Lafayette's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Cash and Cash Equivalents, Investments, Due from State Treasury, and Capital Assets

Net Position - Net Investment in Capital Assets, Restricted-Expendable, Restricted-Nonexpendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees net of Scholarship Allowances, Federal Grants and Contracts, State and Local Grants and Contracts, Nongovernmental Grants and Contracts, Auxiliary Revenues net of Scholarship Allowances, State Appropriations, and Federal Nonoperating Revenues

Expenses - Educational and General and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we reported a finding related to Inappropriate System Access, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on UL Lafayette's major federal program, Research and Development Cluster.

Those tests included evaluating the effectiveness of UL Lafayette's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether UL Lafayette complied with applicable program requirements. In addition, we performed procedures on information submitted by UL Lafayette to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA), as required by Uniform Guidance.

UL Lafayette's information submitted for the preparation of the state's SEFA is materially correct.

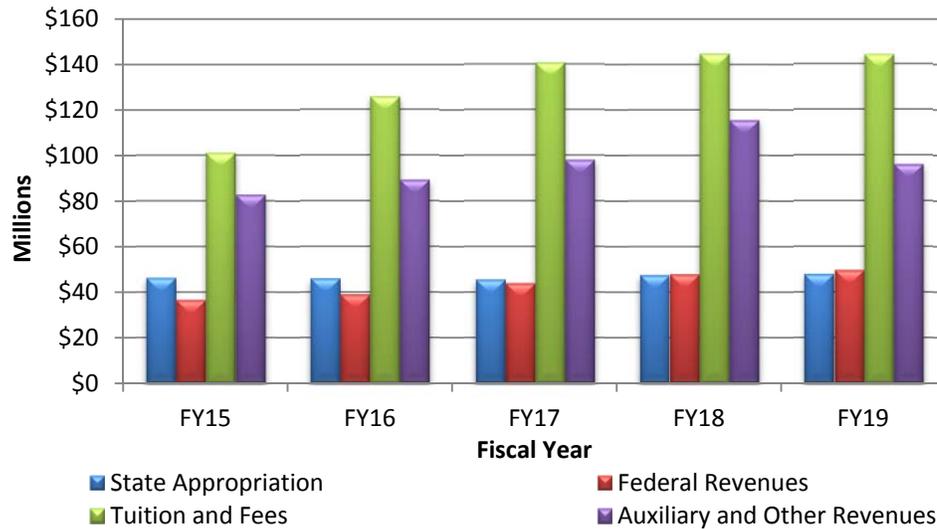
Trend Analysis

We compared the most current and prior-year financial activity using UL Lafayette's Annual Fiscal Reports and/or system-generated reports and obtained explanations from UL Lafayette's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

In analyzing the financial trend of UL Lafayette over the past five fiscal years, tuition and fee revenues have increased because of the increases in tuition permitted by the GRAD Act and House Bill 152 of the 2015 Regular Session of the Louisiana Legislature but have leveled off since fiscal year 2017. Auxiliary and other revenue fluctuations are due to bond proceeds for construction; grants and gifts for capital projects and athletics; new permanent endowments and fluctuations in realized and unrealized gain/loss on endowment funds; new dormitories and increased dormitory and meal rates; and increases in research grants with private industry.

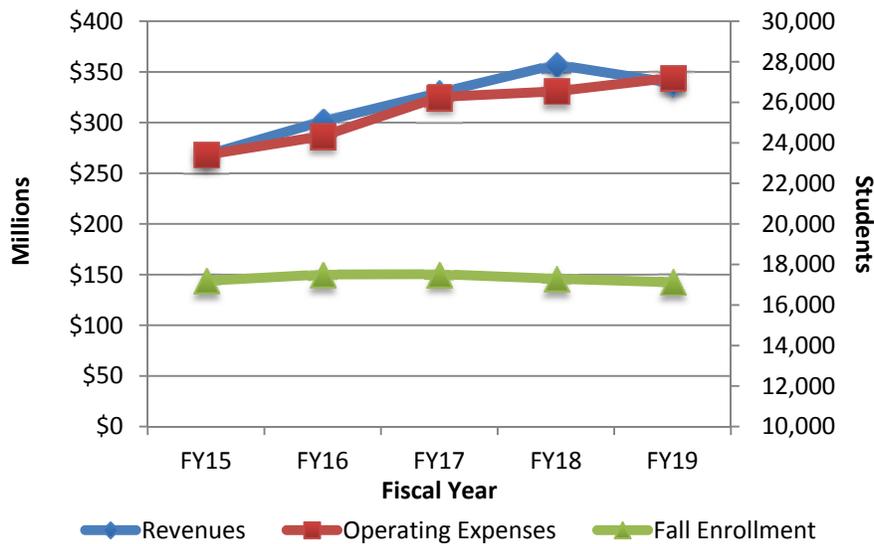
Operating expenses increased in fiscal year 2017 due to increases in pension expense recognized, salaries and employee benefits for tuition exemptions, scholarships and fellowships, chairs and professorships discretionary expenses, and Banner support costs.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Years 2015-2019 System Audit Reports/UL Annual Fiscal Reports

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Years 2015-2019 System Audit Reports/UL Annual Fiscal Reports

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

RE:RJM:BH:EFS:aa

ULLAFAYETTE2019

APPENDIX A: MANAGEMENT'S RESPONSES



December 16, 2019

Université des Acadiens

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please find below our management response to the FY 2018-2019 audit finding of "Inappropriate System Access".

The University concurs with the application security control objective findings for "Inappropriate access", and recognizes the supplemental controls reduced the risk but did not eliminate the potential risk of access.

The Corrective Action Plan created by the University is as follows:

In regards to the following bullet point, Mickey Diez, Registrar is responsible to verify the implementation of action plan.

- fifteen can modify student records such as residency status, field of study, graduation date, etc. and apply academic standing or progress evaluation overrides;

The following steps are being taken to address this issue:

- Access to the application screen [SGASTDN] to modify student records such as residency status, field of study, graduation date, etc. and apply academic standing or progress evaluation overrides has been removed for the users identified that do not have a current business need.
- The Office of the University Registrar will conduct additional training with departments regarding access to student information. Included in the training will be a reminder for departments to consider security access changes that may be necessary when business processes change, when an employee's job duties change, or when the access is otherwise no longer needed.
- The screen SGASTDN has been removed from all previously deployed security groups and has been packaged as a separate security group that can only be approved by the University Registrar.

- All future requests to modify student records using SGASTDN must now use the aforementioned security group and must be approved by the University Registrar prior to the user receiving such access.

In regards to the following bullet point, Cindy Perez, Financial Aid Director is responsible to verify the implementation of action plan.

- and thirty-one can view, enter and edit results of need calculation for financial aid.

The following steps are being taken to address this issue:

- The security class containing the financial aid need calculation screen was coded incorrectly as modify instead of query has been corrected and promoted to production.

In regards to the following bullet point, Charles Broome, IT Security Officer, is responsible to verify the implementation of action plan:

- Twenty-nine users with modify access to Banner system as of May 20, 2019 were terminated employees. These users access remained active between six months to 5.4 years after the employee was terminated.

The following steps are being taken to address this issue:

- Access to the Banner system for the identified users was limited to only approved network access and had no financial transaction capability. Banner application access for these (27) retirees, (1) resignation, and (1) term appointment has been removed.
- Establish an automated mitigation process between IT system administrators and HR to insure accurate and timely account reconciliation.
- The IT Security Office will conduct monthly audits of the account access reconciliation process.

Sincerely,



Charles B. Broome
IT Security Officer



December 9, 2019

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

Re: Failure to Report Misappropriations

Dear Mr. Purpera:

The University of Louisiana at Lafayette concurs with the above referenced finding and has established the following corrective action plan to address this finding:

The University is in the process of formalizing and revising the policy on reporting misappropriations to ensure compliance with state law.

The Office of Financial Services is responsible for the corrective action plan. We anticipate the formal policy to be adopted by March 31, 2020; however, the University has taken immediate steps to ensure compliance with state law through meetings between the Office of Internal Audit, the Office of Purchasing and the Office of Financial Services to coordinate notifications which would result in reporting misappropriations as required by state law.

Sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'E' followed by a loop and a tail.

E. Joseph Savoie
President

C: Jerry LeBlanc
Debbie Calais
Jeremy Guillory
Megan Breaux

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Lafayette (UL Lafayette) for the period from July 1, 2018, through June 30, 2019, to provide assurances on financial information significant to the University of Louisiana System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated UL Lafayette's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to UL Lafayette.
- Based on the documentation of UL Lafayette's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support the opinions on the System's financial statements.
- We performed procedures on the Research and Development Cluster for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using UL Lafayette's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from UL Lafayette's management for significant variances.

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

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