

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 18, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 11, 2013

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the University of Louisiana System's (System) financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2013, we conducted certain procedures at University of Louisiana at Lafayette (University) for the period from July 1, 2012, through June 30, 2013.

- Our auditors obtained and documented an understanding of the University's operations and system of internal controls, including controls over major federal award programs administered by the University, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the University.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the University's annual fiscal reports and/or system-generated reports and obtained explanations from management for any significant variances. We also evaluated the sources of revenues and prepared an analysis of revenues, operating expenses, and enrollment over the past four years for informational purposes.
- Our auditors reviewed the status of the findings identified in the prior management letter dated December 13, 2012. The prior year findings related to the misappropriation of university funds and the late return of federal direct program loan funds have been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting the following:

Statement of Net Position - Cash and cash equivalents, investments, accounts receivable, due from state treasury, capital assets, accounts payable and accruals, deferred revenues, bonds payable, and net position

Statement of Revenues, Expenses, and Changes in Net Position - Student tuition and fee revenues, federal grant and contract revenues, state and local grant and contract revenues, nongovernmental grant and contract revenues, auxiliary

revenues, state appropriations, federal nonoperating revenues, scholarship allowances, education and general expenses, and auxiliary expenses

We also tested the University's compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's annual financial report for the fiscal year ended June 30, 2013, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the Student Financial Aid Cluster for the fiscal year ended June 30, 2013, as a part of the Single Audit of the State of Louisiana.

The Annual Fiscal Report of the University was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The University's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included the following significant findings for management's consideration. The finding related to untimely reporting of student enrollment status will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2013.

Untimely Deposits of Revenue Collections

University personnel did not timely deposit receipts totaling \$1,998,332 because of administrative delays at the collection points. Audit procedures performed on 45 receipts at three of the University's collection points disclosed that seven totaling \$1,998,322 were not deposited timely.

Since the University does not have a method to document when checks are received, auditors had to compare the check date to the deposit date to determine the length of time before deposit, which resulted in a range of 18 to 42 days. The untimely deposit of funds increases the risk of misappropriation and inaccurate reporting and may deprive the University of potential interest earnings.

The University's *Funds Handling Guidelines* requires that receipts be deposited within 24 hours. Good internal control requires that all money received by the University be deposited timely to properly safeguard assets and ensure accurate financial reporting of revenues collected.

Management should ensure that all monies received are deposited timely in accordance with the University's policy and should establish a policy to document the receipt date for all funds received. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Untimely Reporting of Student Enrollment Status

The University did not report all changes in enrollment status for students receiving Federal Direct Student Loan funds to the National Student Loan Data System (NSLDS) as required by federal regulations. Lack of reporting changes in a student's enrollment status also delays or prevents the recoupment of loan funds by the federal agency.

Our procedures determined two of 10 students tested, who had changes in enrollment status during the fiscal year, had not been reported to NSLDS. One student's enrollment status changes were not reported for the 2012 summer and 2013 spring semesters while the other student's enrollment status change was not reported for the 2013 spring semester. Additional audit procedures determined that none of the changes in enrollment status caused by unofficial withdrawals in the 2013 spring semester were reported.

A student is considered to have withdrawn from a payment period or period of enrollment if the student ceases attending whether the student notifies the institution officially or does not notify the institution officially, as outlined in federal regulations. The University does not have controls in place to ensure that all unofficial changes in student enrollment status are reported to the NSLDS.

Management should identify students with unofficial changes in enrollment status and report the information to the NSLDS within the required time period to ensure compliance with federal regulations and to ensure timely recoupment of loans. In addition, management should emphasize compliance with federal regulations and report guidelines to the appropriate employees through training and guidance. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Misappropriation of Assets at New Iberia Research Center

The University Police Department provided information regarding two instances of misappropriation of assets at the New Iberia Research Center.

- Between September 2011 and August 2013, three New Iberia Research Center (NIRC) employees were allegedly stealing items internally manufactured for the use on cages or in association with cages, scrap metals, wiring, and batteries and selling these items to a scrap yard. The known cost of the items misappropriated was \$6,684. In addition, auditors could not determine the cost for certain misappropriated items that were scrapped for \$3,562. These items will likely cost the University considerably more in replacement value. The three suspects have been arrested.
- A NIRC employee's university assigned cell phone went missing in August 2013. NIRC management did not notify the NIRC Security Director or the University Police Department nor notify the service provider to cancel service for two weeks after the phone went missing. As

a result, over \$16,000 in fraudulent charges were placed on the phone in those two weeks. The phone has been disconnected, preventing future charges. The University has worked with the phone service provider, and according to management, the charges have been removed by the provider.

NIRC lacked controls to prevent or timely detect the misappropriation of assets. University management should increase its oversight of NIRC activities and implement adequate controls to prevent and timely detect the misappropriation of assets. Management should seek restitution as necessary. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Misappropriation of Property Not Reported Timely

The University did not immediately report misappropriation of university-owned property to the legislative auditor and the local district attorney as required by Louisiana Revised Statute 24:523. On May 30, 2013, the University reported theft of various university-owned items with reported values totaling \$12,062 that had incident report dates ranging from April 2012 through December 2012.

Failure to immediately report misappropriations of property impairs a timely response to control weaknesses by the auditor and could delay the potential prosecution of the guilty parties. In addition, the failure places the University in noncompliance with state law.

University management should ensure that any misappropriations of public funds or assets are immediately reported in writing to the legislative auditor and the local district attorney as required by state law. Management concurred in part with the finding noting that it was not in noncompliance with state law (see Appendix A, pages 4-5).

Additional Comments: The University's reporting on May 30, 2013, of misappropriations that occurred from April 2012 through December 2012 does not meet the intent of Louisiana Revised Statute 24:523.

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

The purpose of this letter is solely to describe the scope of our work at the University and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. 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, stylized initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KDD:BH:EFS:THC:mk

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APPENDIX A

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



UNIVERSITY
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L a f a y e t t e

Office of the Vice President
Administration and Finance

P.O. Box 40400
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Université des Acadiens

November 18, 2013

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Untimely Deposits of Revenue Collections

The University of Louisiana at Lafayette concurs with the above referenced finding. As stated in the finding, the university's Funds Handling Guidelines requires that receipts be deposited within 24 hours. We have procedures in place to monitor this policy. The departmental cashiers monitor check dates and notify the Funds Handling Compliance Accountant of checks being deposited late who in turn notifies the department for explanation. We always go by check date; however, we take into consideration mail distribution time since it is unrealistic to expect checks received in the mail to be deposited within 24 hours. We have documentation on file with communication to the departments cited in the test and also other departments.

The university has numerous collection points and there are a multitude of reasons why checks are not deposited within 24 hours of the check date often times through no fault of the department. The lack of documentation of the receipt date of the check contributed to this finding. We therefore have amended our Funds Handling Guidelines to require that a "Check Receipt Log Template" be maintained. We will continue to monitor the dates of checks deposited and will request this log if potential untimely deposits are noted. Failure to comply with these guidelines will result in a suspension of the department's funds handling and collection activities.

Sincerely,

Jerry Luke LeBlanc
Vice President for Administration and Finance



October 21, 2013

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

Dear Mr. Purpera:

Please find below our management response to the FY 2012-2013 audit finding of "Untimely Reporting of Student Enrollment Status".

The University concurs with the finding.

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

Cindy Perez, Financial Aid Director is responsible to verify the implementation of action plan.

We have a plan in place to correct this finding. The financial aid office will notify the registrar's office of the Unofficial Resignation Date of the affected students so the Registrar can update NSLDS via the National Clearinghouse. The plan is currently in effect.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President

New Iberia Research Center

4401 W. Admiral Doyle Drive
New Iberia, LA 70560-8768

P.O. Box 13610
New Iberia, LA 70562-3610
Telephone: (337) 482-2411
Facsimile: (337) 373-0057

Université des Acadiens

November 19, 2013

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Misappropriation of Assets at New Iberia Research Center

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

- Upon being notified of the theft of various scrap metals, the NIRC Security Director thoroughly investigated the incidents. The employees accused of the theft were arrested and their employment terminated. NIRC is looking at options to provide additional security to the facility. Also, NIRC has begun clearing out NIRC's material stockpile. Training has been conducted relating to assessing and accounting for NIRC material and supplies.
- Regarding the theft of the cell phone, the NIRC IT department worked with AT&T and UL Office of Information and Media Networks to have the fraudulent charges removed from the account. To mitigate future incidents, NIRC management will notify department heads to inform their employees of the importance of timely notification of thefts of any NIRC assets.

Sincerely,



Joe H. Simmons
Director, NIRC



October 22, 2013

Daryl G. Purpera
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804

RE: Misappropriation of Property Not Reported Timely

Dear Mr. Purpera:

The University of Louisiana at Lafayette concurs in part with the above-referenced findings in your notice emailed on October 1, 2013 as follows:

The University concurs with the finding that UL Lafayette did not immediately report misappropriation of university-owned property to the legislative auditor and that failure to report misappropriations of property impairs a timely response to control weaknesses by the auditor.

The University does not concur with the finding that it failed to report consistent with Louisiana Revised Statute 24:523 and that it is in noncompliance with state law and that its' failing to report could delay potential prosecution of the guilty parties.

La. R.S. 24:523 requires an agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency to immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled.

University System Policy M-(1)a *Reporting the Misappropriation of Public Funds or Assets* vests the university president with the responsibility to report to the legislative auditor and district attorney pursuant to La. R.S. 24:523.

In May 2012, University administration conducted a review of inventory procedures to ensure due diligence with respect to its obligations to identify and report misappropriated assets and to identify any weaknesses in its procedures. All items listed on the letter were reported as missing or stolen to ULPD between April 2012 and December 2012.

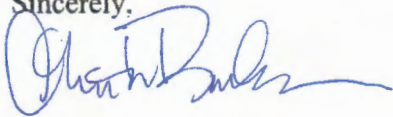
As of the date of the University's letter to the legislative auditor, ULPD had investigated or was in the process of investigating the missing property. All investigations which were concluded, and which had resulted in sufficient evidence to identify a suspect, had already been turned over to the District Attorney for prosecution of the guilty party upon, as is standard law enforcement protocol.

While the investigatory process was still ongoing in some cases, the President was promptly notified of the results of the administrative review, and upon actual knowledge, he immediately notified the legislative auditors and local district attorney, in writing, on May 30, 2012 pursuant to state law and consistent with System Policy.

We are in the process of evaluating our procedures to identify and report misappropriated assets so that the notification required by La. R.S. 24:523 and by UL System Policy is reported to the President immediately upon actual knowledge of such misappropriation.

Please feel free to notify me if you have further questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Christine Brasher", with a long horizontal flourish extending to the right.

Christine Brasher
Director, Operational Review

cc: E. Joseph Savoie; Jerry LeBlanc; Jeremy Guillory