

UNIVERSITY OF LOUISIANA AT MONROE

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued May 21, 2025

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

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
BETH Q. DAVIS, CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

University of Louisiana at Monroe



May 2025

Audit Control # 80240068

Introduction

As a part of our audit of the University of Louisiana System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2024, we performed procedures at the University of Louisiana at Monroe (ULM) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of ULM's internal controls over financial reporting and compliance; and determine whether ULM complied with applicable laws and regulations.

In addition to the procedures noted above, we also performed certain other procedures for the period July 1, 2022, through June 30, 2023.

Results of Our Procedures

Current-year Finding

Noncompliance and Inadequate Controls over Direct Loan Monthly Reconciliations

ULM did not have adequate controls in place to ensure that monthly reconciliations for the Federal Direct Student Loans program were performed to meet the federal requirements. In addition, ULM did not have documented or verifiable policies and procedures for the reconciliation process. Each month, the U.S. Department of Education's Common Origination and Disbursement (COD) system provides the institution the School Account Statement (SAS) data file, which must be used to reconcile the institution's financial records to ensure the institution has transmitted accurate and complete student disbursement data to the COD system for all Federal Direct Student Loans borrowers in accordance with federal regulations. Failure to properly perform and document the required monthly Direct Loan reconciliations could result in undetected discrepancies between the institution's financial records and data in the COD system which could result in cash overdraws.

In a sample of two monthly Direct Loan reconciliations, we found that for both months selected:

- ULM did not utilize the SAS to reconcile all Direct Loan funds received and disbursed as recorded by U.S. Department of Education systems to ULM's internal records.
- Monthly reconciliations did not include sufficient support identifying discrepancies and/or resolutions.
- Reconciliations did not identify any remaining cash balances or justification for such.
- ULM could not provide evidence of review for its monthly reconciliations.

Federal regulations require that schools must, on a monthly basis, reconcile institutional records with Federal Direct Student Loans funds received and disbursement records submitted to and accepted by the U.S. Department of Education. A school is considered to have completed its monthly reconciliation when all differences between the Direct Loan SAS and the school's internal records have been resolved or documented and the school's ending cash balance is zero. In addition, schools should clearly outline their reconciliation process and documentation requirements in their policies and procedures.

Management should develop adequate internal controls, including documenting policies and procedures to ensure accurate preparation, documentation, and review of Direct Loan monthly reconciliations as required by the federal grantor. Management acknowledged the issues noted in the finding and provided a corrective action plan. (see Appendix A).

Financial Statements – University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2024, we considered ULM's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets – Investments, Due from State Treasury, Capital Assets

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

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Student Tuition and Fees net of Scholarship Allowances, Auxiliary Revenues net of Scholarship Allowances, State Appropriations, and Federal Nonoperating Revenues

Expenses – Educational and General and Auxiliary Enterprises

Based on the results of these procedures, we did not report any findings. 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, 2024, 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 ULM's major federal program, Student Financial Assistance Cluster.

Those tests included evaluating the effectiveness of ULM's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether ULM complied with applicable program requirements. In addition, we performed certain procedures on information submitted by ULM 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.

Based on the results of these Single Audit procedures, we reported a finding related to Noncompliance and Inadequate Controls over Direct Loan Monthly Reconciliations. This finding was also included in the Single Audit for the year ended June 30, 2024. In addition, ULM's information submitted for the preparation of the state's SEFA was materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed certain procedures for the period July 1, 2022, through June 30, 2023, that included obtaining, documenting, and reviewing ULM's internal control and compliance with related laws and regulations over the scholarship allowance calculation, payroll expenses, and nonpayroll expenses.

Based on the results of these procedures, we did not report any findings.

Trend Analysis

We compared the most current and prior-year financial activity using ULM's Annual Fiscal Reports and/or system-generated reports and obtained explanations from ULM's management for any significant variances.

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of ULM. The nature of

the recommendation, its implementation costs, and its potential impact on the operations of ULM should be considered in reaching decisions on courses of action. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KVL:AC:JPT:BQD:aa

ULM2024

APPENDIX A: MANAGEMENT’S RESPONSE



Office of Financial Aid

Sandel Hall 115 | 700 University Avenue | Monroe, LA 71209
P 318.342.5320 | F 318.342.3539 | www.ulm.edu

February 26, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor

Subject: Response to Audit Finding – Noncompliance and Inadequate Controls over Direct Loan Monthly Reconciliations

Dear Mr. Waguespack,

The University of Louisiana at Monroe acknowledges receipt of the audit finding related to Noncompliance and Inadequate Controls over Direct Loan Monthly Reconciliations. We appreciate the opportunity to respond and outline the corrective actions the university has taken or plans to implement to address the issue.

Corrective Action Plan:

The Financial Aid Office will be reaching out to Common Origination and Disbursement (COD) for assistance in correcting this issue with the monthly account statement. The discrepancies were identified each month, however the reason for the discrepancy and how we corrected the error was not documented. We will adjust our policies and procedures to add these steps to the reconciliation process in addition to the secondary reconciliation of the account statement that will be completed.

To address this issue, the university has implemented or is in the process of implementing the following corrective actions:

1. Action Taken or Planned:

- Work with COD to correct issues with accessing monthly account statements.
- Implement a process to add a secondary monthly reconciliation of account statements, in addition to the current method of reconciling each month using the annual report. This will ensure that no loan discrepancy is missed in the reconciliation.
- Train the new Functional Analyst how to document discrepancies on the monthly report.
- Add a designated column to the discrepancy list identifying the exact amount in question and the reason why it does not match COD.
- Send response emails documenting reconciliation has been reviewed, issues have been cleared, and how each issue was cleared.

2. Implementation Timeline: April 1, 2025

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ULM is a member of the University of Louisiana System • AA/EOE



Office of Financial Aid

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3. **Responsible Party:** Various members of the Financial Aid team. Director Marla Herrington and Functional Analyst Lacie Campbell will be responsible for the implementation and execution of the corrective action.
4. **Ongoing Monitoring and Compliance:** When the Director sends the email confirming the corrections have been completed, the Director will copy the Associate Director of Customer Service, Erica Hopko, on the email alerting her to verify that all components have been addressed and that the discrepancy has been clearly explained.

The university is committed to maintaining compliance with all applicable regulations and strengthening internal controls to ensure the integrity of our financial aid processes. Please do not hesitate to reach out if any further clarification is needed.

Sincerely,

Marla Herrington
Director ULM Financial Aid Services
University of Louisiana Monroe

#TAKEFLIGHT

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Monroe (ULM) for the period from July 1, 2023, through June 30, 2024, 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 our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2024.

- We evaluated ULM'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 ULM.
- Based on the documentation of ULM'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 our opinions on the System's financial statements.
- We performed procedures on the Student Financial Assistance Cluster for the year ended June 30, 2024, as a part of the 2024 Single Audit.
- We performed certain procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2024 as a part of the 2024 Single Audit.
- We compared the most current and prior-year financial activity using ULM's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from ULM's management for significant variances.

In addition, we performed certain other procedures for the period from July 1, 2022, through June 30, 2023. Our objective was to evaluate certain controls ULM uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at ULM, and not to provide an opinion on the effectiveness of ULM'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 ULM's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. ULM's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.