

LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 19, 2020

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana State University at Eunice



August 2020

Audit Control # 80200049

Introduction

The primary purpose of our procedures at Louisiana State University at Eunice (LSU Eunice) was to evaluate certain controls LSU Eunice uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds.

Results of Our Procedures

We evaluated LSU Eunice's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LSU Eunice's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash collection procedures, student accounts receivable, reconciliation of the general ledger to subsidiary ledger, and payroll and personnel.

Current-report Findings

Failure to Reconcile Student Online Payments

LSU Eunice failed to reconcile student payment plan transactions processed by a third-party organization for LSU Eunice. The organization posted \$2.6 million in payments to students' accounts from July 1, 2018, through December 31, 2019.

LSU Eunice uses a third-party organization that is responsible for collecting online installment plan payments from students. The organization deposits the students' payments into LSU Eunice's bank account and interfaces with LSU Eunice's system to post payments to students' accounts. The deposits from the organization are recorded by LSU Eunice personnel into the LSU Eunice's general ledger directly from the amounts posted to the bank statements. LSU Eunice does not reconcile the transactions posted by the organization in the students' accounts to the payments deposited by the organization.

Good internal control requires timely reconciliation of bank deposits to system records. Failure to perform such reconciliations increases the risk that errors or fraud could occur related to student payments.

LSU Eunice management should design and implement internal controls to ensure payments posted to students' accounts reconcile with the bank deposits and LSU Eunice's general ledger. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2, section II).

Inadequate Controls Over Student Refunds

LSU Eunice has inadequate controls over student refunds. Refunds for overpayments of tuition and fees are compiled, edited, sent for payment, posted to student accounts, and reconciled by one employee without an independent review. Good internal control requires segregation of duties and shared responsibilities of key processes. Inadequate segregation of duties increases the risk that students are refunded incorrect amounts due to error or fraud.

Management of LSU Eunice should review and update its procedures for issuing student refunds to ensure proper segregation of duties exists and that all transactions are sufficiently reviewed and approved. Management partially concurred with the finding but outlined a plan of corrective action (see Appendix A, page 3, section V).

Inadequate Controls Over Cash Receipts

LSU Eunice failed to maintain adequate controls over cash receipts and, as a result, was unable to account for missing receipt numbers from handwritten receipt booklets in the supporting documentation. Inadequate controls over cash receipts increases the risk of error and theft of cash.

Receipts for cash payments received by the business office are normally produced electronically from the cashiering system (system) at the time of the transaction. Handwritten receipts from a pre-numbered receipt booklet are used at times when the system is temporarily unavailable. When the system becomes available, the handwritten receipts are used to enter the transaction into the system and the carbon copies of the receipts are removed from the receipt booklet and attached to the electronically generated receipts produced once the transaction is entered into the system. As a result of this process, there is no record of sequentially numbered handwritten receipts that can be reconciled to entries in the cashiering system or cash deposits.

We tested cash receipts from October 23, 2019, through November 7, 2019, a period of time the system was unavailable and the receipt booklets were used. As a result of our analysis, we identified 146 receipt numbers that were unable to be accounted for by the University. Good internal control requires adequate safeguards over cash collections.

University management should design and implement internal controls to ensure proper safeguarding and accounting of handwritten receipts. Management partially concurred with the finding but outlined a plan of corrective action (see Appendix A, page 2, section III).

Failure to Submit Past-Due Student Accounts Receivable for Collection

LSU Eunice did not submit past-due student accounts receivable to the Louisiana Attorney General for collection in accordance with state law and its written procedures. Failure to submit these accounts for collection increases the risk that the accounts will become uncollectible.

Louisiana Revised Statute (R.S.) 47:1676 (A)(2) requires agencies to refer delinquent debts to the Attorney General's office for collection when the debt has been delinquent for 60 days. According to LSU Eunice's past practices and written procedures, past-due student accounts should have been turned over to the Attorney General within 30 days from the date final past-due notices were sent. LSU Eunice last submitted past-due student accounts receivables to the Attorney General in February 2019. Outstanding accounts from the spring, summer, and fall 2019 semesters have not been submitted as of March 2020.

University management should update and follow its written procedures on submitting past-due accounts to the Attorney General's office for collection to ensure compliance with state law. Management partially concurred with the finding but outlined a plan of corrective action (see Appendix A, pages 2-3, section IV).

Noncompliance with Timekeeping Records Requirements

LSU Eunice unclassified employees who earn leave did not certify time and attendance records as required by R.S. 17:3311.A(3). Lack of controls over monthly certifications increases the risk of fraud or error related to time worked going undetected and noncompliance with state laws.

We analyzed a monthly certification report provided by management of active unclassified employees who earn leave and are required to certify their time and attendance records for the months of July 2018 through February 2020 (as of March 26, 2020). As a result, we noted 428 (20%) of 2,140 monthly payroll records analyzed were not certified by the employee.

LSU Eunice does not have formal policies requiring monthly certification of daily attendance and leave records for unclassified employees. Additionally, management does not have an effective process to ensure that all employees, as required by law, certify their attendance and leave records monthly. Periodic reminders to complete certifications are sent to employees and supervisors; however, no additional procedures are performed after these reminders are sent to ensure employees complete the required certifications.

LSU Eunice management should design and implement policies and procedures that require certifications to be completed timely. Additionally, LSU Baton Rouge Central Support can generate a system report of past certification records. Management should consider requesting this report periodically and use the report as a monitoring tool to ensure employees are adhering to policy. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1, section I).

Loss of Data and Functions

On October 23, 2019, LSU Eunice was subjected to a ransomware attack. The attack impacted operational processes such as the permanent loss of e-mails, certain local data on user PCs, online application for admission, schedule of online courses, and the ability to run reports. However, there was limited impact on financial reporting due to the accounting system and student system servers not being impacted. Some backups were impacted by the attack. LSU Eunice, under the advice of the State Office of Information Technology, implemented a remediation plan that rebuilt most servers (rather than restore from back-ups) to ensure the virus was not reintroduced into the network.

At the time of the attack, LSU Eunice did not have an incident response plan for a ransomware attack. An incident response plan is a set of instructions to assist staff in detecting, responding to, and recovering from security incidents. In addition, LSU's Eunice's disaster recovery plan was in process of being updated and management is unaware of the last time the plan was tested. Failure to maintain sufficient incident response and disaster recovery plans, which would include ensuring back-ups could be restored, increases the risk of data loss and/or compromise the accuracy and reliability of data.

Since the attack, management has represented that LSU Eunice has a disaster recovery plan in place that will be reviewed every six months and updated as needed. LSU Eunice is now performing backups with an offsite location. These backups are verified but not tested for restoration and are not encrypted.

LSU Eunice should develop an incident response plan and written policies and procedures to periodically review, test, and update its disaster recovery plan. The results of the periodic reviews and tests should be documented. Additionally, LSU Eunice should develop written policies and procedures to ensure that backups are adequately tested and encrypted. The policies and procedures should also require employees to save important files, as defined by LSU Eunice, to a server that is backed up. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 4-5).

Cash Collection Procedures

We obtained an understanding of LSU Eunice's controls over cash collections and evaluated the segregation of duties, including procedures followed during the fall of 2019 when LSU Eunice experienced a ransomware attack that limited the business office's access to its servers and computing systems. We analyzed cash receipts immediately following the attack for the period October 23, 2019, to November 7, 2019. We agreed the cash collected per the general ledger to the student subsidiary ledger, receipts, the bank deposits, and other supporting documents. Based on the results of our procedures, as noted in the Current-report Findings section, LSU Eunice did not have adequate controls in place to ensure that cash collections were complete and properly recorded.

Student Accounts Receivable

LSU Eunice has an agreement with the Louisiana Attorney General for debt collection. We reviewed LSU Eunice's policies and procedures related to debt collection for compliance with applicable laws and regulations. We performed procedures to ensure LSU Eunice followed its internal policies and procedures and that collection activity followed state law and the agreement with the Attorney General. Based on the results of our procedures, as noted in the Current-report Findings section, LSU Eunice did not have adequate controls in place to ensure past-due accounts were being submitted for collection.

Reconciliation of General Ledger to Subsidiary Ledger

LSU Eunice has a subsidiary system to process and record transactions on students' accounts. We obtained an understanding of LSU Eunice's controls to convert the subsidiary system transactions to general ledger classifications and post the transactions to the general ledger. We selected 15 transactions from the subsidiary system and 10 transactions from the general ledger and tested controls over the transactions. We noted inadequate controls over student refunds and collections from a third party organization of student on-line payments as noted in the Current-report Findings section.

In addition, we obtained an understanding of fee waiver and types of adjustments made to student accounts. We compared fee waivers made during the fall 2019 semester to the fall 2017 semester and obtained adequate explanations from LSU Eunice management for variances identified. We also analyzed adjustments made to student accounts from July 1, 2018 to December 31, 2019 and determined that the impact on student accounts was consistent with management's explanation for these adjustments.

Payroll and Personnel

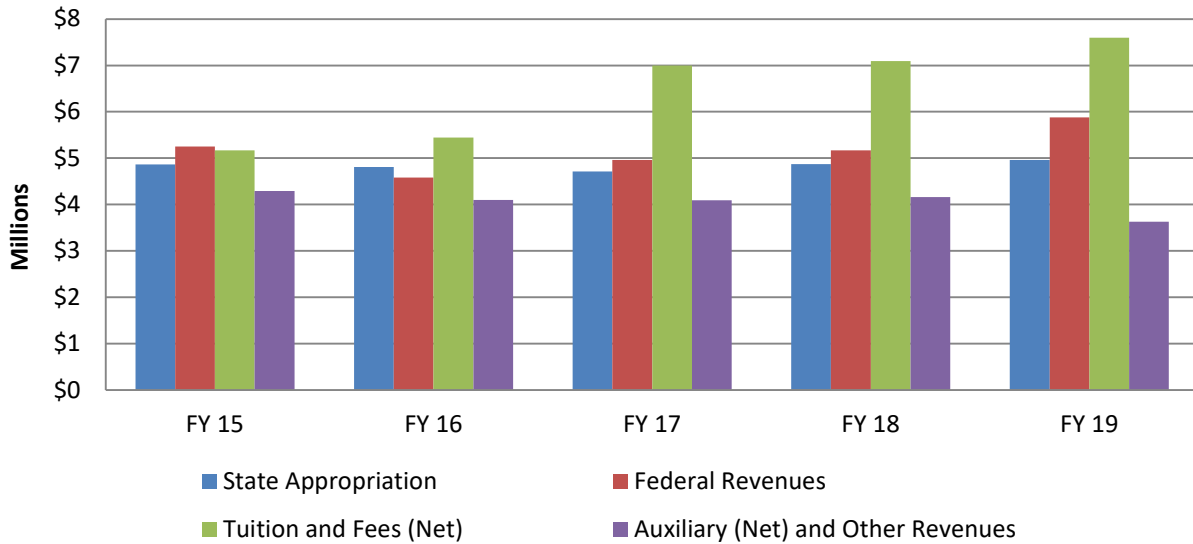
Salaries and wages totaled approximately \$9 million and \$4.3 million of LSU Eunice's expenses in fiscal years 2019 and 2020, respectively, through December 31. We obtained an understanding of LSU Eunice's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, we found LSU Eunice did not have adequate controls in place over payroll processing, as noted in the Current-report Findings section.

Trend Analysis

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

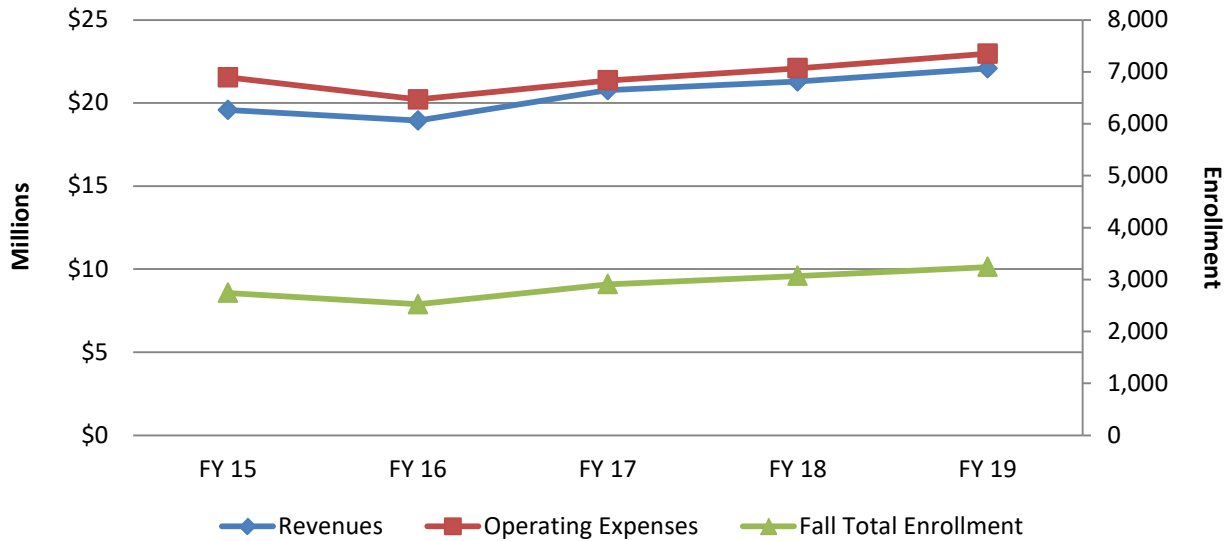
In analyzing financial trends of LSU Eunice over the past five fiscal years, fall enrollment increased 18%, causing an increase in tuition and fees revenue and federal revenue from Pell. In addition to the increased enrollment, LSU Eunice increased tuition and fees during the same period. Net auxiliary revenues decreased from fiscal year 2018 to fiscal year 2019 due to increased scholarship allowance.

Exhibit 1
Five-Year Revenue Trends, by Fiscal Year (FY)



Source: LSU System Audit Reports

Exhibit 2
Fiscal/Enrollment Trends, by Fiscal Year (FY)



Source: LSU System Audit Reports and Board of Regents Enrollment Data

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

RE:RM:BM:EFS:ch

LSU EUNICE2020

APPENDIX A: MANAGEMENT'S RESPONSES



Office of the Chancellor

June 15, 2020

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

Dear Mr. Purpera,

Below are the responses by Louisiana State University Eunice to five audit findings that occurred during this year's review conducted by Rhett Edwards, CPA and team.

I. Noncompliance with Timekeeping Records Requirements

Louisiana State University-Eunice concurs with the finding. As your office is aware, the LSU System utilizes Workday, a third party enterprise product to conduct all human resource activities, including payroll. It is our position that the identified gap of required monthly certification procedures for time and attendance are substantially due to a limitation in the current deployment of the product.

Corrective Action Plan: Amy Greagoff, Associate Vice Chancellor of Business Affairs and Stephen Heyward, Director of Information Technology, will take the primary responsibility for corrective action. The plan will be comprised of the following:

1. Develop a policy and accompanying processes for LSUE requiring monthly certification of daily attendance and leave records for unclassified employees in timely manner.
2. Work in concert with LSU Baton Rouge to develop an improved employee certification process that must occur on the MyLSU employee portal.
3. Create a mandatory training program for unclassified employees and supervisors for monthly certification of time and attendance.
4. Develop a management report to be used as a monitoring tool on a regular basis to ensure employees are adhering to policy.

Anticipated Complete Date: December 15, 2020

II. Failure to Reconcile Student Online Payments

Louisiana State University Eunice concurs with the finding. The current third party organization and software used for student payment plans is inadequate. The University is actively engaged in the implementation and deployment of a new third party provider to initiate student online payments and provide all necessary controls to ensure payments posted to students' accounts reconcile with bank deposits and the University's general ledger.

Corrective Action Plan: Amy Greagoff, Associate Vice Chancellor of Business Affairs and Stephen Heyward, Director of Information Technology, have taken primary responsibility for the implementation and deployment of the new third party provider of this function.

Internal controls will consist of the timely reconciliation of deposits to system records; ensure payments posted to students' accounts reconcile with bank deposits and the University's general ledger.

Anticipated Completion Date: December 1, 2020.

III. Inadequate Controls Over Cash Receipts

Louisiana State University Eunice partially concurs with the finding. The time of the test of the cash receipts was from October 23, 2019 through November 7, 2019. This was an especially trying time for the University as it coincided with a ransomware attack that brought all automated processes to a halt. LSUE was in an emergency mode. It is recognized that some paper receipts were not available for review, but it is also noted that under the circumstances the staff performed diligently and conscientiously to serve student needs and those required for appropriate controls.

Corrective Action Plan: Amy Greagoff, Associate Vice Chancellor of Business Affairs will design and implement internal controls to ensure proper safeguarding and accounting of paper receipts.

Anticipated Completion Date: August 30, 2020.

IV. Failure to Submit Past Due Student Accounts Receivable for Collection

Louisiana State University Eunice partially concurs with the finding. On June 24, 2019 a new administration under Dr. Nancee Sorenson took place at LSUE. We recognize that State law requires that when the University has completed final internal collection efforts with student accounts, and have determined the accounts to be sixty days past due, that these should and will be sent to the Attorney General's Office for collection. It is our intention to do so.

The change of current practice from past practice is that we work actively with students and their families to resolve accounts in a timely and effective manner, and that the determination of sixty days past due is when all other efforts have been utilized. We communicate with students that failure to set up an official payment plan may result being sent to collection. What we have found is that we are able to collect a greater percentage

of revenue by deploying a more student-friendly approach, thus reducing the burden on other state agencies, as well as students and their families.

Outstanding accounts from Spring, Summer and Fall 2019 will be reviewed for submission to the Attorney General. It should be noted that in October of 2019, the University was the subject of a ransomware attack which was followed by COVID-19 in March 2020.

Corrective Action Plan: Amy Greagoff, Associate Vice Chancellor of Business Affairs, and staff will complete a review of student accounts from Spring, Summer and Fall 2019 to determine those considered active and those that require referral to the Attorney General's Office for collection. New procedures will be developed and implemented along with a clear and concise communication plan to students and the public.

Anticipated Completion Date: Review of Student Accounts completed by November 1, 2020. Delinquent student accounts send to Attorney General's Office by December 20th, 2020. Development and of new procedures for past due student accounts and communication plan to be completed by January 30th, 2021.

V. Inadequate Controls Over Student Refunds

Louisiana State University Eunice partially concurs with this finding. The process for student refunds has been in place for over twenty years at the University and has not been the subject of an audit finding. The current administration at the University and in Business Affairs has enacted proactive change. As described above, a new third party system for online student payment is in the active deployment stage. This will provide enhanced internal controls for student refunds.

Corrective Action Plan: Amy Greagoff, Associate Vice Chancellor of Business Affairs will be the point of supervisory review for student refunds prior to disbursement.

Anticipated Complete Date: August 30, 2020.

In conclusion, it is LSUE's desire to move forward in a positive and up-to-date environment that responds rapidly to the change that is required.

Please do not hesitate to contact me if further information is needed.

Sincerely,

Nancee Sorenson

Nancee Sorenson, Ed.D.
Chancellor



Office of the Chancellor

July 27, 2020

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

Dear Mr. Purpera,

Below are the responses by Louisiana State University Eunice to audit finding that occurred during this year's review conducted by Rhett Edwards, CPA and team.

- **Loss of Data and Functions**

Louisiana State University-Eunice concurs with the finding. As your office is aware, certain system backups on older infrastructure were impacted by the cyberattack on October 23, 2019, while other backups were not utilized in the restoration effort under the advice of the State Office of Information Technology to ensure the virus was not reintroduced into the network (LSUE agreed with this approach). It is recognized that certain plans and procedures previously in progress need to be completed and new ones established within the environment.

Corrective Action Plan: Stephen Heyward, Director of Information Technology, will take the primary responsibility for corrective action. The plan will be comprised of the following:

1. Complete pending updates to the existing disaster recovery plan
2. Establish appropriate procedure to periodically review and update the disaster recovery plan along with appropriate testing and documentation of results
3. Establish a procedure addressing the testing and encryption process to be followed for certain system backups where applicable
4. Ensure a procedure is in place instructing employees around the storage location of identified important files within their area
5. Establish an incident response plan

Anticipated Complete Date: October 31, 2020

In conclusion, it is LSUE's desire to move forward in a positive and up-to-date environment that responds rapidly to the change that is required.

Please do not hesitate to contact me if further information is needed.

Sincerely,

Nancee Sorenson

Nancee Sorenson, Ed.D.
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University at Eunice (LSU Eunice) for the period from July 1, 2018, through June 30, 2020. Our objective was to evaluate certain controls LSU Eunice uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review LSU Eunice's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LSU Eunice is a part of the Louisiana State University System, which is an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LSU Eunice'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 LSU Eunice.
- Based on the documentation of LSU Eunice's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating cash collection procedures, student accounts receivable, reconciliation of the general ledger to subsidiary ledger, and payroll and personnel.
- We compared the most current and prior-year financial activity using LSU Eunice's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LSU Eunice's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at LSU Eunice, and not to provide an opinion on the effectiveness of LSU Eunice'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 purpose.