

NORTHWESTERN STATE UNIVERSITY  
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

Northwestern State University



December 2019

Audit Control # 80190095

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## 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 Northwestern State University (Northwestern) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of Northwestern's internal controls over financial reporting and compliance; and determine whether Northwestern complied with applicable laws and regulations. We also performed procedures for the period July 1, 2017, through June 30, 2018, to evaluate certain internal controls Northwestern uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. In addition, we determined whether management has taken actions to correct the finding reported in the prior report.

## Results of Our Procedures

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### Follow-up on Prior-report Finding

Our auditors reviewed the status of the prior-report finding reported in the Northwestern management letter dated December 6, 2017. We determined that management has not resolved the prior-report finding related to Noncompliance with Timekeeping Rules and Policies and it is addressed again in this letter.

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### Current-year Finding

#### Noncompliance with Timekeeping Rules and Policies

For the second consecutive report, Northwestern's faculty, unclassified and classified employees, and their supervisors did not certify employees' time worked as required by Louisiana Department of State Civil Service's (Civil Service) rules and System policies. In addition, as of March 16, 2018, the University implemented a process where employees would electronically certify the time and leave reported on their pay stub after the payroll process was complete and paycheck was disbursed.

We sampled fiscal year 2019 pay periods for 23 employees and noted the following exceptions:

- Two employees (9%) did not certify their time worked/leave taken within 10 days of payroll being disbursed in accordance with university procedures.
- Ten employees (43%) did not have evidence that their time worked was approved by a supervisor before payroll was disbursed.

Northwestern's IT Department generates a Payroll Verification report 10 days after payroll is disbursed to identify timesheets that have not been certified by the employee, and Human Resources emails the employee and supervisor. However, no additional follow up is done to ensure the task is complete. We reviewed the Payroll Verification reports for five pay periods for biweekly employees and six pay periods for monthly employees. The reports indicated that approximately 22% of biweekly employees and 55% of monthly employees did not certify their time within 10 days of the given payroll disbursement date, as required by university procedures.

Civil Service rules and System policies require that attendance and leave records be maintained and certified by employees and their supervisors. In addition, good internal control requires that attendance be certified by the employee and approved by the supervisor prior to the payroll process being completed and payroll disbursed. Untimely or lack of certifications and approvals increases the risk that retroactive adjustments will be needed causing inefficiencies in the payroll process and increasing the risk of error or fraud.

Northwestern's management should implement internal controls to ensure that all employee time is certified and approved before payroll is disbursed. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

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## **Financial Statements – University of Louisiana System**

As part of our audit of the System's financial statements for the year ended June 30, 2019, we considered Northwestern'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, 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, State Appropriations, and Federal Nonoperating Revenues

**Expenses** - Education and General

The account balances and classes of transactions tested are materially correct.

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## **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 procedures 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 information submitted by Northwestern 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).

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

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## **Other Procedures**

In addition to the System and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing Northwestern's internal control and compliance with related laws and regulations over timekeeping.

Based on the results of these procedures, we reported a finding related to Noncompliance with Timekeeping Rules and Policies, as described previously.

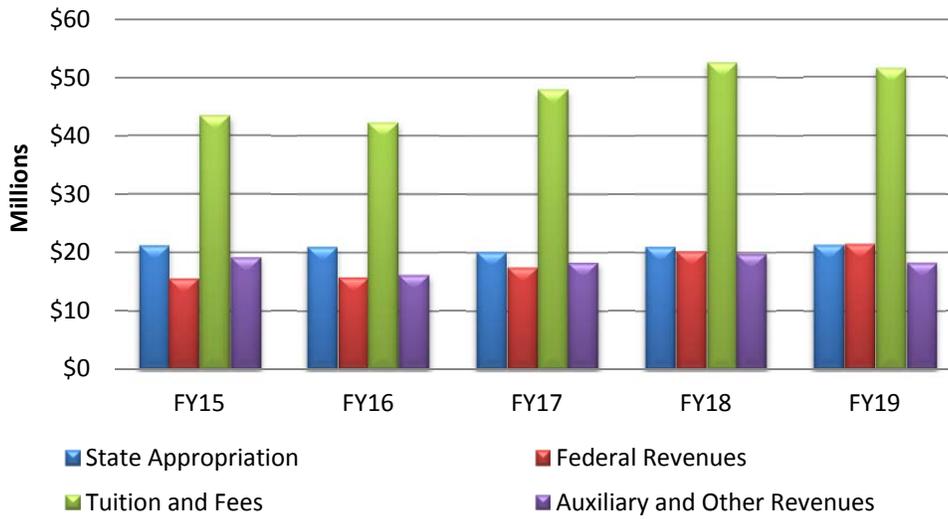
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## **Trend Analysis**

We compared the most current and prior-year financial activity using Northwestern's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Northwestern'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 Exhibits 1 and 2.

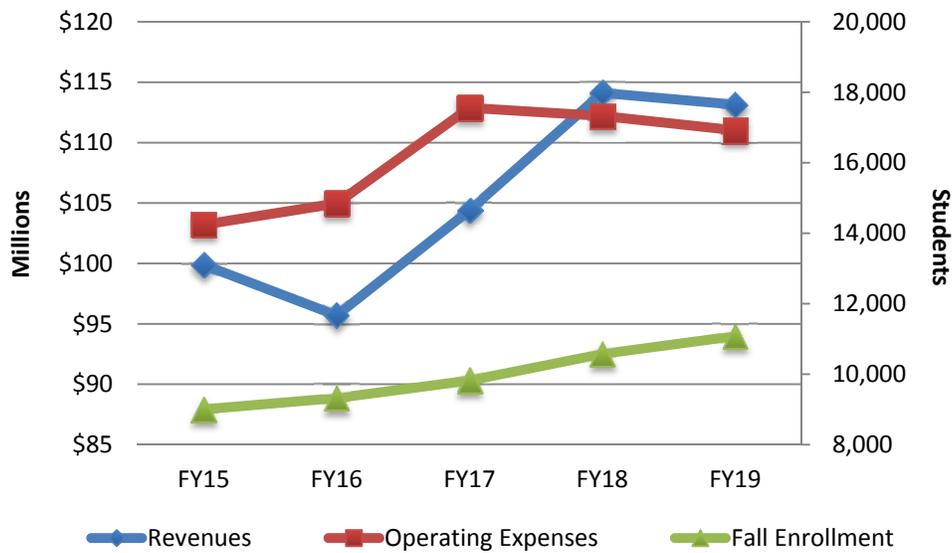
In analyzing the financial trends of Northwestern over the past five fiscal years, tuition and fees and federal revenues have generally increased, while state appropriations and auxiliary and other revenues remained consistent. The increase in tuition and fees is the result of increased fees charged to students and increased enrollment, while the increase in federal revenues is primarily the result of increased enrollment and students eligible for Pell Grants. Enrollment has steadily increased and operating expenses has remained fairly consistent, other than an increase in pension expenses for fiscal year 2017.

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



Source: 2019 Annual Fiscal Report/2018-2015 System Audit Reports

**Exhibit 2  
Fiscal/Enrollment Trend Analysis**



Source: 2019 Annual Fiscal Report/2018-2015 System Audit Reports/Agency Reports

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of Northwestern. The nature of the recommendation, its implementation costs, and its potential impact on the operations of Northwestern should be considered in reaching decisions on courses of action. The finding related to Northwestern'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

BDM:RJM:BH:EFS:aa

NSU2019



## **APPENDIX A: MANAGEMENT'S RESPONSE**





December 4, 2019

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

Dear Mr. Purpera:

In response to the audit finding: Noncompliance with Timekeeping Rules and Policies, the University concurs with the finding and submits the following:

NSU will implement time certification and leave taken through Banner Self-Service, which will include employee and supervisory approval prior to the time being entered into the payroll or finalized in the accounting system. Preliminary work has commenced, and this corrective action will be implemented in Spring 2020. Lisa Harris, Human Resources Director, will serve as the contact person.

Sincerely,

Dr. Chris Maggio  
President



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Northwestern State University (Northwestern) 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 Report of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

In addition, we conducted certain procedures at Northwestern for the period from July 1, 2017, through June 30, 2018. Our objective was to evaluate certain controls Northwestern uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide 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.

- We evaluated Northwestern'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 Northwestern.
- Based on the documentation of Northwestern'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 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 Northwestern's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Northwestern's management for significant variances.

In addition, we performed procedures on compliance with timekeeping rules and policies. 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 Northwestern, and not to provide an opinion on the effectiveness of Northwestern'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 Northwestern's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. Northwestern's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.