

UNIVERSITY OF LOUISIANA AT LAFAYETTE

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued March 27, 2023

**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
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

University of Louisiana at Lafayette



March 2023

Audit Control # 80220090

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, 2022, 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 findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the UL Lafayette management letter dated June 27, 2022. We determined that management has resolved the prior-year findings related to Control Weakness and Noncompliance over Return of Title IV Funds; Control Weakness and Noncompliance over Disbursements to or on Behalf of Students; and Control Weakness Over and Noncompliance with Higher Education Emergency Relief Fund Reporting Requirements. The prior-year findings related to Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards; Noncompliance with Subrecipient Monitoring Requirements; and Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security have not been resolved and are addressed again in this letter.

Current-year Findings

Untimely Billing Related to Grant and Contract Agreements

UL Lafayette did not bill for federal, state, local, and nongovernmental grants and contracts revenue timely in accordance with contract terms and internal policy.

We sampled 36 federal, state, local, and nongovernmental grants and contracts revenue transactions recorded between July 1, 2021, and June 30, 2022, and traced the transactions to their respective invoice/reimbursement requests. We noted 11 (30.6%) of the invoices selected were billed between 58 and 276 days (average of 172 days) late. In addition, eight of these invoices included transactions for multiple billing periods.

Individual contracts and agreements require UL Lafayette to submit billings and supporting information within a specific time period. If the contract/grant award was silent as to the billing frequency, we used additional information gathered from UL Lafayette's approved Award Data Sheets, which specify invoice frequency. Additionally, UL Lafayette's billing policies require that expenditure activity for federal, state, local and nongovernmental awards issued to UL Lafayette be reviewed for billing on a monthly basis.

Failure to bill timely causes noncompliance with the contract or agreement and/or internal policy. Additionally, untimely billing increases the risk that receivable accounts could become uncollectable. UL Lafayette management indicated that being understaffed has impacted the ability to perform adequate billing.

Management should ensure billings are submitted timely and in accordance with contract or agreement terms and UL Lafayette's internal policy. Management did not concur with the finding and did not provide a corrective action plan. Management's response indicated that the billings were submitted in accordance with contract or agreement terms, and that UL Lafayette's internal policy does state that awards be reviewed for billing on a monthly basis but ultimately the terms of the award determine if they are untimely (see Appendix A, page 1).

Additional Comments: Four of the exceptions noted in the finding had either a specific billing date or billing frequency stated in the grant or contract that were used to evaluate timeliness of billing. The remaining exceptions were based on UL Lafayette's internal form that specified an invoice method as "Cost Reimbursable Monthly" and coincides with UL Lafayette's billing policy that awards be reviewed for billing on a monthly basis.

Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards

For the second consecutive year, UL Lafayette did not have adequate controls in place to ensure personnel expenses and effort charged to federal Research and Development (R&D) awards accurately reflected work performed. From a population

of 28,744 payroll and non-payroll expenses charged to R&D grants, a sample of 25 transactions were tested. For all 12 (48%) of the payroll transactions, UL Lafayette was unable to provide documentation to show that personnel-related expenses, totaling \$4,520, were supported by time and effort certifications to ensure the accuracy of budget estimates charged to federal awards as required by federal regulations. Additionally, because there is no after-the-fact review to ensure the accuracy of personnel costs and effort charged to the awards, UL Lafayette could not ensure compliance with the requirements of special tests and provisions related to key personnel effort.

Inadequate controls related to federal documentation standards for personnel expenses could result in noncompliance with federal allowable costs and cost principles, as well as noncompliance with special tests and provisions related to key personnel effort.

Management represented that it's still in the process of implementing the prior-year corrective actions to address the issues noted in the prior-year finding. As a result, time and effort certifications were not completed by employees to support the accuracy of budget estimates charged to federal awards as required by federal regulations.

Management should strengthen internal controls to ensure that personnel expenses charged to the federal awards are supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. Management did not concur with the finding, noting it did not have sufficient time in fiscal year 2022 for corrective action and provided its progress on addressing the finding (see Appendix A, page 2).

Noncompliance with Subrecipient Monitoring Requirements

For the second consecutive year, UL Lafayette did not adequately monitor subrecipients of the R&D Cluster programs. Failure to properly monitor subrecipients results in noncompliance with federal regulations and increases the likelihood of improper payments which may have to be returned to the federal awarding agency.

In a sample of five subawards out of a population of 49 subawards, it was noted that for four (80%) of the subrecipients evaluated, UL Lafayette was unable to provide documentation that ensured each subrecipient obtained the required audit or that the audit was reviewed so that timely and appropriate action could be taken for any findings pertaining to the federal awards, as required by federal regulations. Additionally, for all five (100%) of the subrecipients evaluated, UL Lafayette could not provide evidence that the required risk analyses were performed to evaluate each subrecipients' risk of noncompliance with federal regulations and the terms of the subaward.

UL Lafayette management indicated that it was working on internal procedures to adequately monitor subrecipients as a result of the prior-year finding. However,

management has yet to finalize and apply these procedures on all active subrecipients.

UL Lafayette should strengthen controls to ensure the timely review of all required subrecipient audit reports in order to evaluate the impact of any findings noted in the audits and issue management decision letters, if applicable. In addition, UL Lafayette should strengthen controls to ensure risk assessments are performed and documented on all subrecipients in accordance with federal regulations. Management did not concur with the finding, noting it did not have sufficient time in fiscal year 2022 for corrective action and provided its progress on addressing the finding (see Appendix A, page 3).

Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security

For the third consecutive year, UL Lafayette did not design or implement related safeguards or relate them to the risks identified in its formal Gramm-Leach-Bliley Act Regarding Student Information Security risk assessment (risk assessment), completed for award year 2021-2022.

The risk assessment noted 14 "high-risk" and 14 "medium-risk" findings that require safeguards to be developed and implemented by UL Lafayette. Per management's documentation, only two of the high-risk findings and one of the medium-risk findings have safeguards identified and implemented. UL Lafayette has additional security practices and information technology security policies and procedures that could address some of these risks but have not yet related them to those risks identified in the risk assessment. As a result, there is an increased risk for unauthorized disclosure, misuse, alteration, destruction or other compromise of student information and results in noncompliance with federal regulations.

Management should develop, implement, and maintain information security programs which include documenting the design and implementation of safeguards to control the risks identified in regards to student information. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2022, 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 Untimely Billing Related to Grant and Contract Agreements, 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, 2022, 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 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) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards, Noncompliance with Subrecipient Monitoring Requirements, and Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security. These findings will also be included in the Single Audit for the year ended June 30, 2022. In addition, UL Lafayette's information submitted for the preparation

of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing UL Lafayette's internal control and compliance with related laws and regulations over competitive procurements. 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 UL Lafayette's Annual Fiscal Reports and/or system-generated reports and obtained explanations from UL Lafayette's management for any significant variances.

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 findings 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,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

RE:RJM:BH:EFS:aa

UL LAFAYETTE2022

APPENDIX A: MANAGEMENT'S RESPONSES



**Sponsored Programs
Finance Administration and Compliance**

P.O. Box 42570 • Lafayette, LA 70504-2570
Office: (337) 482-2840

Université des Acadiens

February 27, 2023

Michael J Waguespack, CPA
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Please find below our management response to the audit finding "Untimely Billing of Grants and Contracts".

The University does not concur with the finding.

Our billings were submitted in accordance with contract or agreement terms. Sponsored Programs Finance Administration and Compliance (SPFAC) provided the auditors with grantors' policies and procedures confirming the billing was within the allowable timeframe.

Internal policy does state that awards be reviewed for billing on a monthly basis but ultimately the terms of the award determine if they are untimely.

Sincerely,

Judith Maina
Director, SPFAC

Mr. Jerry LeBlanc
Vice President for Administration and Finance

Dr. E. Joseph Savoie
President



**Sponsored Programs
Finance Administration and Compliance**

P.O. Box 42570 • Lafayette, LA 70504-2570
Office: (337) 482-2840

Université des Acadiens

March 1, 2023

Michael J Waguespack, CPA
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Please find below our management response to the audit finding “*Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards*”.

The University does not concur that this is a second consecutive year finding, but in fact the same one from FY2021.

The completion of FY2021 audit and the start of FY2022 audit did not allow the University time in between to correct the FY2021 finding.

The following is timeline for the FY2021 finding.

- Notification of potential finding was sent on 4/20/22.
- Preliminary response request was sent on 5/26/22.
- Preliminary finding response was submitted on 6/2/22.
- Audit response request letter was sent on 6/6/22.
- Audit response was submitted on 6/10/22.

Sponsored Programs Finance Administration and Compliance (SPFAC) will continue the following corrective action provided in FY2021 and it will be overseen by Director of SPFAC.

1. Update the current effort reporting and certification policy.
2. Create and implement an internal user-friendly effort reporting system.
3. Train faculty and staff on how to use the effort reporting and certification system.
4. Track the effort certifications quarterly.
5. For federal awards that follow CFR § 200.201- Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, the University will internally track and certify the personnel effort cost separately as the billing is dictated by the issued task orders based on the estimated task order cost.

Sincerely,

Judith Maina
Director, SPFAC

Mr. Jerry LeBlanc
Vice President of Finance and Administration

Dr. E. Joseph Savoie
President



**Sponsored Programs
Finance Administration and Compliance**

P.O. Box 42570 • Lafayette, LA 70504-2570
Office: (337) 482-2840

Université des Acadiens

March 1, 2023

Michael J Waguespack, CPA
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Please find below our management response to the audit finding "*Noncompliance with Subrecipient Monitoring Requirements*".

The University does not concur that this is a second consecutive year finding, but in fact the same one from FY2021.

The completion of FY2021 audit and the start of FY2022 audit did not allow the University time in between to correct the FY2021 finding.

The following is timeline for the FY2021 finding.

- Notification of potential finding was issued on 5/26/22.
- Preliminary response request was issued on 5/26/2022.
- Preliminary finding response was submitted on 6/2/2022.
- Audit response request letter was submitted on 6/6/22.
- Audit response was submitted on 6/13/22.

Sponsored Programs Finance Administration and Compliance (SPFAC) will continue the following corrective action provided in FY2021 and it will be overseen by Director of SPFAC.

1. Continue with our procedures to adequately monitor subrecipients.
2. Implement a risk assessment questionnaire and have Senior SPFAC staff complete one for every sub recipient per 2 CFR 200.332 (f).

Sincerely,

Judith Maina
Director, SPFAC

Mr. Jerry LeBlanc
Vice President of Finance and Administration

Dr. E. Joseph Savoie
President

March 7, 2023

Mr. Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

We appreciate your recent audit and findings regarding our compliance with the Gramm-Leach Bliley Act (GLBA). We concur with the finding of noncompliance due to delays in non-published administrative control, along with the technical control design and implementation.

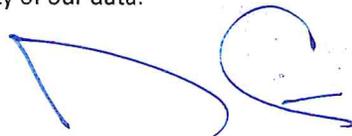
Management acknowledges the control weaknesses identified in the GLBA initial assessment completed in August 2021, and we have taken steps to address these weaknesses. However, we recognize that the remaining risks requiring technical control implementations were not completed during the audit period. We are committed to addressing these risks and have allocated the necessary resources to complete the implementation of technical controls.

Thank you for bringing these issues to our attention. We continuously improve our controls and procedures to ensure the security and confidentiality of our data.

Sincerely,



Charles Broome
IT Security Officer



E. Joseph Savoie
University President



Jerry Luke LeBlanc
Vice President, Administration and Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Lafayette (UL Lafayette) for the period from July 1, 2021, through June 30, 2022, 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, 2022.

- 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 our opinions on the System's financial statements.
- We performed procedures on the Research and Development Cluster for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 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 that could potentially indicate areas of risk.

In addition, we performed procedures on UL Lafayette's internal control and compliance with related laws and regulations over competitive procurements. 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 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 Reports, and accordingly, we do not express an opinion on those reports. UL Lafayette's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.