

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



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 19, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Louisiana State University at Eunice



September 2022

Audit Control # 80220024

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 accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

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 relating to cash collections, student accounts receivable, reconciliation of student online payments to general and subsidiary ledgers, segregation of duties over student refunds, timekeeping records requirements, and information technology.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in LSU Eunice’s procedural report dated August 19, 2020. We determined that management has resolved the prior-report findings related to Failure to Reconcile Student Online Payments, Inadequate Controls Over Cash Receipts, and Loss of Data and Functions. The prior-report findings related to Inadequate Controls Over Student Refunds, Failure to Submit Past-Due Student Accounts Receivable for Collection, and Noncompliance with Timekeeping Records Requirements have not been resolved and are addressed again in this report.

Current-report Findings

Inadequate Controls Over Student Refunds

For the second consecutive engagement, LSU Eunice had 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 with limited 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.

LSU Eunice processed approximately \$10.5 million in check refunds to students and \$2.2 million in electronic refunds to students from July 1, 2020, to February 28, 2022. The following control weaknesses were noted:

- For electronic refunds, journal entries to record the refunds are approved in the accounting system by a separate employee; however, the employee is only approving entries made to the financial accounting system without any evidence of review of the accuracy/verification to the student accounts. Furthermore, the approvals being made to the accounting system entries are done after the refunds are issued.
- For refunds issued by check, an email list of students receiving checks is approved by a separate employee before the checks are issued; however, the list is not compared by the reviewer to entries made in the accounting system, the student accounts, or a subsequent verification of the actual checks that were issued.

Management of LSU Eunice should review and update its procedures for issuing student refunds to ensure proper segregation of duties exist and that all transactions are sufficiently reviewed and approved prior to the refund being issued. Management partially concurred with the finding and outlined a plan of corrective action (See Appendix A, page 1).

Failure to Submit Past-Due Student Accounts Receivable for Collection

For the second consecutive engagement, LSU Eunice did not submit past-due student accounts receivable to the Louisiana Attorney General (AG) 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 AG for collection when the debt has been delinquent for 60 days, or other time period as incorporated into agreements with the AG. Per LSU Eunice's agreement with the Louisiana Department of Justice/AG, placement of accounts shall be at the discretion of LSU Eunice. According to LSU Eunice's past practices and written procedures, past-due student accounts should have been turned over to the AG within 30 days from the date final past-due notices were

sent. LSU Eunice last submitted past-due student accounts receivable to the AG in February 2019. Outstanding accounts from the Spring 2019 semester to present have not been submitted as of June 2022.

Based on an outstanding receivable report provided by management as of June 28, 2022, receivable balances from spring 2018 to fall 2021 by semester are as follows:

Student Accounts Receivable (As of 6/28/2022)			
	Spring Semester	Summer Semester	Fall Semester
(Calendar Year) 2018	\$ 78,440	\$ 11,564	\$ 147,804
2019	\$ 213,907	\$ 12,885	\$ 306,913
2020	\$ 106,084	\$ 26,231	\$ 465,221
2021	\$ 314,945	\$ 40,349	\$ 436,911

LSU Eunice management should update and follow its written procedures on submitting past-due accounts to the AG for collection to ensure compliance with state law. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, pages 2-3).

Noncompliance with Timekeeping Records Requirements

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

We analyzed monthly certification reports provided by management of unclassified employees who earn leave and are required to certify their time and attendance records for the months of July 2020 through February 2022 (as of April 26, 2022). As a result, we noted 388 (18%) of 2,150 payroll records analyzed were not certified by the employee within 30 days of the day after the payroll period end date. Delays in the certification of records ranged from 31 to 649 days of the day after the payroll period end date as follows:

Number of Days	Number of Records
31-60	160
61-90	76
91-180	86
>180	66

LSU Eunice does not have formal written 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 unclassified employees earning leave certify their attendance and leave records monthly as required by law. 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 in a timely manner.

LSU Eunice management should design and implement written policies and procedures that require certifications to be completed timely and monitoring to ensure that the certifications are being completed. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, pages 4-5).

Cash Collections

We obtained an understanding of LSU Eunice's controls over cash collections and analyzed handwritten cash receipt booklets used when the cashiering system was temporarily unavailable. Based on the results of our procedures, LSU Eunice maintained a record of sequentially numbered handwritten cash receipts. There were 110 handwritten cash receipts from July 14, 2020, to April 8, 2022. We haphazardly selected four of these handwritten cash receipts and verified they were properly recorded in the accounting records. Based on the results of our procedures, LSU Eunice had adequate controls in place over handwritten cash receipts.

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 Student Online Payments to General and Subsidiary Ledgers

LSU Eunice uses a third-party organization that is responsible for collecting online payments from students. We obtained an understanding of processes and procedures related to the posting of these payments to LSU Eunice's general ledger and to students' accounts in the subsidiary ledger. We reviewed controls for reconciling the student online payments to the bank deposits and to the general and subsidiary ledgers. Based on the results of our procedures, LSU Eunice had suitably designed and implemented controls in place for reconciling student online payments collected by a third-party organization to the bank deposits and to the general and subsidiary ledgers.

Segregation of Duties over Student Refunds

LSU Eunice processed approximately \$12.7 million in student refunds from July 1, 2020, to February 28, 2022. We obtained an understanding of LSU Eunice's controls over the student refund process then selected two refund batches and performed a walkthrough of controls. Based on the results of our procedures, as noted in the Current-report Findings section, LSU Eunice did not have adequate segregation of duties in place over key processes related to student refunds.

Timekeeping Records Requirements

We obtained an understanding of controls over compliance with R.S. 17:3311.A(3) related to the certification of time and attendance records by unclassified employees who earn leave. We analyzed monthly certification records from July 2020 through February 2022 to ensure compliance with timekeeping records requirements. 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 compliance with state law regarding the timely certification of time and attendance records by unclassified employees who earn leave.

Information Technology

We gained an understanding of controls over information technology, including disaster recovery and incident response plans, back-up storage and restoration procedures, and information security. We inquired of additional measures taken to ensure business continuity and to prevent loss of data arising from potential cybersecurity incidents. Based on the results of our procedures, LSU Eunice has developed an incident response plan and has documented its review, test, and update of the disaster recovery plan, which addresses data backups and encryption. In addition, LSU Eunice has strengthened information security policies and procedures for employees.

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.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

EJB:RJM:BH:EFS:aa

LSU EUNICE2022

APPENDIX A: MANAGEMENT'S RESPONSES



August 25th, 2022

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804

Dear Mr Waguespack,

Below are the responses by Louisiana State University Eunice to one audit findings that occurred during this year's review conducted by Rebecca J. Marcantel, CPA and team.

Inadequate Control over Student Refunds

Louisiana State University Eunice partially concurs with this finding. At the 2020 finding, it was noted that a third-party payment system was being developed that would include a direct deposit function, among other enhancements, so that all payments to students would occur automatically. *CashNet* was deployed in April 2021. While this has provided enhanced internal controls and improvement in student refunds, it has not been sufficient to meet all requirements due in part to the limited number of students who have signed for direct deposit.

Corrective Action Plan: Audwin Donatto, Director of Business Affairs and Accounting Services will be the point of supervisory review for student refunds prior to disbursement. Mr. Donatto will implement a new reconciliation procedure that will include the following steps:

1. The Credit List will be reviewed and approved, prior to submission of the list for refund check processing.
2. When paper refund checks are received, these will be reconciled to the Credit List and the Accounting System.
3. Marketing will continue to encourage students to sign up for Direct Deposit.

Anticipated Completion Date: December 15, 2022

Sincerely,

Nancee J. Sorenson, Ed.D.
Chancellor

cc. Amy Greagoff, Vice Chancellor Business Affairs



August 25th, 2022

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Below are the responses by Louisiana State University Eunice to one audit findings that occurred during this year's review conducted by Rebecca J. Marcantel, CPA and team.

Failure to Submit Past-Due Student Accounts Receivable for Collection

Louisiana State University Eunice concurs with the finding. 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 Pandemic changed the landscape of services to students. In 2019, LSUE began to 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 in 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 and family friendly approach, thus reducing the burden on other state agencies, as well as students and their families.

Outstanding accounts from 2018 to present 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. Colleges and universities across Louisiana did everything possible to mitigate the negative impact of C-19, as did many agencies and divisions of our state.

Corrective Action Plan: Amy Greagoff, Vice Chancellor of Business Affairs, and staff will complete a review of student accounts from 2018 to the present 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.



-----Office of-----

**The
Chancellor**

Anticipated Completion Date: Review of Student Accounts will be completed by November 2022. Delinquent student accounts will be sent to the Attorney General's Office by January 31st, 2023. Development of new procedures for past due student accounts with a communication plan to be completed by January 31st, 2023.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nancee J. Sorenson', followed by a horizontal line.

Nancee J. Sorenson, Ed.D.
Chancellor

cc. Amy Greagoff, Vice Chancellor Business Affairs



August 25th, 2022

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
P O Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Below are the responses by Louisiana State University Eunice to one audit findings that occurred during this year's review conducted by Rebecca J. Marcantel, 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. In 2020 this was identified as a finding, and as a result, Human Resources working with Information Technology developed a process by which employees received an automatic notification and a reminder sent to the supervisor and the individual unclassified employee. While this has worked in part, it is not working sufficiently to ensure that the majority of employees perform this task in an efficient and timely manner.

Corrective Action Plan: Amy Greagoff, Vice Chancellor of Business Affairs, will take the primary responsibility for corrective action. The plan will be comprised of the following:

1. Finalize a policy and accompanying processes for LSUE requiring monthly certification of daily attendance and leave records for unclassified employees in timely manner. This was partially completed by December 15, 2020 but is not working as projected.
2. On a quarterly basis provide a mandatory training program for classified employees and supervisors for monthly certification of time and attendance.
3. While an electronic management monitoring tool was created and used on a regular basis to ensure employees are adhering to policy, it was not used efficiently. All supervisors will be required to attend a mandatory training regarding the use of this tool.
4. Explore more stringent accountability measures for employees that do not comply with this requirement.



Anticipated Completion Date: December 15, 2022

While some improvements were made by December 15, 2020, in the previous finding, it is not enough to meet requirements.

Louisiana State University at Eunice is committed to ensuring that this regulation is adhered to as required.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Nancee J. Sorenson". The signature is written in a cursive style and is followed by a long horizontal line.

Nancee J. Sorenson, Ed.D.
Chancellor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana State University at Eunice (LSU Eunice) for the period from July 1, 2020, through June 30, 2022. 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's accounts are an integral part of the Louisiana State University System'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 relating to cash collections, student accounts receivable, reconciliation of student online payments to general and subsidiary ledgers, segregation of duties over student refunds, timekeeping records requirements, and information technology.
- 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.