

UNIVERSITY OF LOUISIANA AT MONROE
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 14, 2016

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT SERVICES
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

University of Louisiana at Monroe



December 2016

Audit Control # 80160086

Introduction

As a part of our audit of the University of Louisiana System's (System) financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2016, 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, we determined whether management has taken actions to correct the finding reported in the prior management letter.

ULM is a part of the System and reported an enrollment of more than 9,000 students for the Fall 2015 semester. Its mission is to seek students who find value in ULM's programs and to then prepare them to compete, succeed, and contribute in an ever-changing global society through a transformative education.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the management letter issued December 17, 2014. We determined that management has resolved the finding related to information technology control weaknesses.

Current-year Findings

Inadequate Control over Athletic Travel Expenditures

ULM did not have adequate controls over athletic travel expenditures to ensure compliance with the System's policies and the Office of State Procurement's Louisiana Travel Guide (PPM 49) (state travel regulations).

ULM's Department of Internal Audit issued a report dated May 3, 2016, regarding athletic travel expenditures incurred on November 24, 2015, through November 30, 2015, related to a

University of Hawaii at Manoa football game in Honolulu held on November 28, 2015. The report indicated that ULM's internal control structure did not adequately ensure the University of Hawaii Athletic Event Agreement and related travel expenses complied with state travel regulations and System travel policy and noted the issues below.

- ULM's Department of Athletics failed to obtain the ULM president's approval for the University of Hawaii Athletic Event Agreement and the preliminary and final listings of persons traveling to Hawaii, as required by System policy.
- ULM paid \$51,320 for meals, which was \$9,433 more than allowed per state travel regulations and System policy. Of the \$9,433 overpayment, \$7,214 related to student athletes, ULM football team employees, and bus drivers; and \$2,219 related to non-ULM guests, including family members and donors. System policy states that all expenses for meals are the sole responsibility of invited guests and not ULM. The funds were repaid to ULM in April 2016 by the University of Louisiana at Monroe Athletic Foundation (Foundation), which was approximately five months after the event ended.
- ULM chartered a flight paid for by the University of Hawaii as per the event agreement. The Department of Athletics allowed seven donors to fly on the chartered aircraft without paying the \$7,350 they agreed to pay. In addition, ULM did not have a Chartered Air Services Agreement signed by a representative of both parties.
- In addition to the chartered flight, the Department of Athletics utilized a commercial airplane to transport certain travelers, including family members of some athletic department employees, to Hawaii. The internal audit report mentioned that the use of the commercial airplane did not appear to be necessary or cost effective.
- Department of Athletics personnel entered incorrect revenue codes on the deposit sheets that supported funds received and deposited in the bank account of the Foundation. Since the funds were coded as contributions instead of miscellaneous income, donors received an improper credit for a contribution to the Foundation that needs to be adjusted.

In addition to the Department of Internal Audit's report, we found that the Department of Athletics charged \$4,080 on ULM's travel card for meals that exceeded the individual meal amounts allowed per state travel regulations for breakfast, lunch, dinner, and athlete snacks from September 25, 2015, through September 26, 2015, for the University of Alabama football game. This had been identified by the controller's office, and the funds were reimbursed to ULM by the Foundation in May 2016.

The Department of Athletics' noncompliance with state travel regulations and System policies increases the risk of possible errors and/or fraud regarding athletic travel transactions. Furthermore, using public funds to pay for unallowable meals and covering the cost of

unauthorized travelers could be a donation or loan of public funds and result in a violation of Article 7, Section 14 of the Louisiana Constitution.

ULM management should consider the recommendations outlined in the internal auditor's report. In addition, management should ensure through training that all personnel have a proper understanding of the state regulations and System policies relating to athletic travel and monitor employee adherence to those regulations and policies to mitigate risks of noncompliance. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-3).

Athletic Ticket Sales Revenues

As of June 30, 2016, ULM had not collected \$622,165 from the Foundation for athletic ticket sales and multimedia sponsorship transactions. The uncollected amount consisted of \$497,061 owed from fiscal year 2015 and \$125,104 owed from fiscal year 2016, as of November 2015.

ULM had a management agreement with the Foundation to handle ticket sales and multimedia sponsorship transactions until the agreement was amended in October 2015 to cease the Foundation from handling ticket sales. According to the management agreement, funds generated by the Foundation through ticket sales and promotion of multimedia sponsorships on behalf of ULM shall be paid to ULM not less than quarterly of each year. ULM did not receive the quarterly payments from the Foundation, as per the agreement. Currently, ULM is accepting partial payments from the Foundation of \$10,060 per month along with other random payments until the amount owed is paid. As of November 14, 2016, the Foundation's outstanding balance was \$428,538. Failure to timely collect ticket sales proceeds increases the risks of funds becoming uncollectible, which may impair ULM funding of ongoing operations.

In addition, athletic department personnel have been unable to reconcile \$1,408 in baseball game ticket sales generated by ULM's electronic ticketing system to the ticket sales revenues recorded in the general ledger. Revenues per ULM's ticket software subsidiary records reflected \$1,408 less for baseball ticket sales than the amount reported in ULM's general ledger. Failure to reconcile ticket sales information timely between subsidiary records and the general ledger increases the risk of error or theft not being detected timely. Good internal controls require that subsidiary records be reconciled to ULM's general ledger timely to ensure amounts collected are recorded and properly safeguarded.

ULM management should make every effort to immediately recoup the funds owed from the Foundation and consider further revising the terms of its management agreement relating to promotion of multimedia sponsorships to include repercussion for nonadherence to the payment terms. In addition, management should develop and implement procedures for reconciling ticket sales information to the general ledger after each athletic event. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 4-6).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2016, we considered ULM's internal controls 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

Liabilities - Unearned revenues and bonds payable

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, scholarship allowances, auxiliary enterprise revenues, state appropriations, capital appropriations, and capital grants and gifts

Expenses - Educational and general expenses, and auxiliary enterprise expenses

Based on the results of these procedures on the financial statements, we reported findings regarding inadequate control over athletic travel expenditures and athletic ticket sales revenues, 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, 2016, we performed 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.

Based on the results of these Single Audit procedures, the information was materially correct.

Other Procedures

In addition to the financial statement and federal compliance work noted above, we performed certain procedures which included obtaining, documenting, and reviewing ULM's internal control and compliance with related laws and regulations over the LaCarte procurement program, FuelTrac card program, contracts, and the corporate business account program.

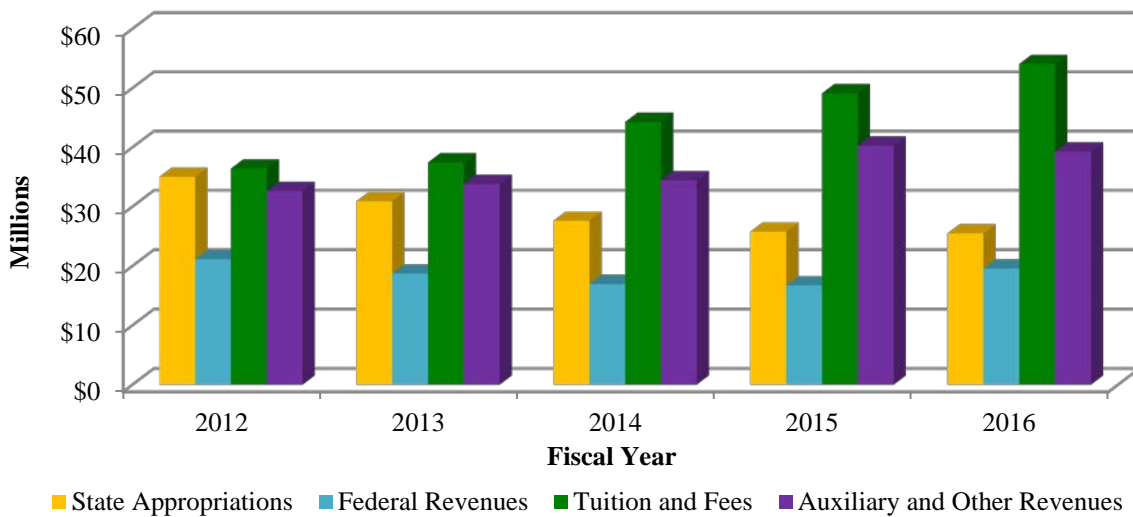
Based on the results of the procedures performed, we found no issues or weaknesses that were required to be reported.

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 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.

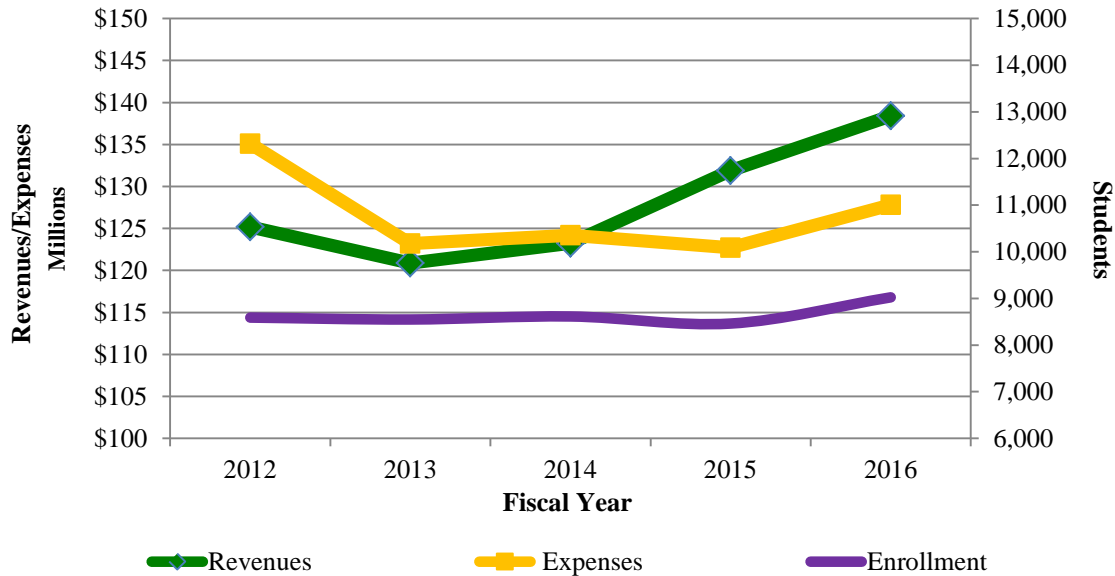
In analyzing financial trends of ULM over the past five fiscal years, after fiscal year (FY) 2012, revenues were in line with expenses until revenues exceeded expenses in FY 2015 and in FY 2016. This was attributable to increases in tuition rates permitted by the GRAD Act (Act 741 of the 2010 Regular Session of the Louisiana Legislature) and Act 196 of the 2011 Regular Session of the Louisiana Legislature, and increases in enrollment including online students. Also, other revenues increased in FY 2015 and FY 2016 due to various capital outlay projects for the renovation of certain buildings, construction of a Ski Facility, improving signage on campus, and donations from ULM Facilities Corporation for the renovation of the football field house. Tuition and fees and other revenues have partially offset the reduction in state funding to help finance ULM’s operations.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Year 2012-2016 ULM Annual Fiscal Reports, as adjusted


**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Year 2012-2016 ULM Annual Fiscal Reports, as adjusted and Board of Regents website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of ULM. The nature of the recommendations, their implementation costs, and their 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,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

KVL:BAC:BH:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSES



UNIVERSITY OF LOUISIANA MONROE
WARHAWK ATHLETICS

Malone Stadium • 308 Warhawk Way • Monroe, LA 71209-4100

P: (318) 342-5360 F: (318) 342-5367

October 17, 2016

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-0397

Dear Mr. Purpera,

This letter is our official response to the legislative auditor's reportable audit finding dated October 3rd, 2016, related to inadequate controls over athletic travel expenditures.

RESPONSE: The University of Louisiana at Monroe (ULM) concurs with the audit finding and recommendations.

CORRECTIVE ACTIONS:

ULM has reviewed this finding under the direction of the Athletics Director and Chief Business Officer. The following issues will be addressed:

1) Failure to Obtain University President's Approval for Contract or Travel

- a. Planned Action
 - i. The Department of Athletics shall ensure that the University President or his designee either approves all future game contracts or the Department of Athletics has on file a memorandum giving the University's Athletic Director signature authority for such game contracts. The Department of Athletics will develop and implement formal policies and procedures related to game contracts and obtain the President's approval of them. The approved policy will clearly state a dollar threshold requiring a direct signature of the president and/or giving authority to the Athletic Director.
- b. Name and Title of Person(s) Responsible for Implementation
 - i. University Director of Athletics – Brian Wickstrom
- c. Name and Title of Person(s) Responsible for Writing Policy
 - i. University Deputy Athletics Director – Josh Brooks
- d. Anticipated Completion Date
 - i. November 2016

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2) Use of Commercial Airplane did not Appear Necessary or Cost Effective

a. Planned Action

i. The Department of Athletics shall develop and implement formal policies and procedures related to away game team travel. These policies and procedures will detail which non-university guests to whom transportation shall be provided and also limit the number of those non-university guests allowed per trip. This policy shall also ensure that available transportation, lodging, and meals are utilized in the most cost effective manner.

b. Name and Title of Person(s) Responsible for Implementation

i. University Director of Athletics – Brian Wickstrom

c. Name and Title of Person(s) Responsible for Writing Policy

i. University Deputy Athletics Director – Josh Brooks

d. Completed

3) Failure to Comply with UL System Athletic Travel Policy for Meals

a. Planned Action

i. The Department of Athletics shall follow the allowable meal expenses per UL System Athletic Travel Policy (PPM IA-V.2a) and the State Travel Regulations. In the instance where meal pricing is above the state allowable and after all negotiations of such meal prices has been exhausted, the Director of Athletics will prepare a resolution in conjunction with the governing board of the ULMAF ensuring the ULMAF pays these overages prior to the event. University funds will not be used to pay the expenses of donors and invited guests attending athletic events. Donors and invited guests will be required to pay their own expenses prior to the event.

b. Name and Title of Person(s) Responsible for Implementation

i. University Director of Athletics – Brian Wickstrom

ii. University Associate Director of Athletics for Internal Operations – Phil Shaw

c. Completed

4) Failure to Retain a Properly Executed Charter Air Services Agreement

a. Planned Action

i. The Department of Athletics shall ensure that copies of all executed charter air service agreements be kept on file in the office of the University's Assistant Director of Athletics for Business Operations. These contracts shall contain signatures of University officials authorized to sign such documents as well as the signature of said vendor.

b. Name and Title of Person(s) Responsible for Implementation

i. University's Director of Athletics – Brian Wickstrom



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P: (318) 342-5360 F: (318) 342-5367

- ii. University's Assistant Director of Athletics for Business Operations – Kevin VanDerzee
- c. Completed

5) Lack of Internal Control over Funds Received for Athletic Foundation

- a. Planned Action
 - i. Individuals with authority to make deposits on behalf of ULM Athletics and ULMAF shall be properly trained on cash handling procedures and ULM deposit policies.
- b. Name and Title of Person(s) Responsible for Implementation
 - i. University's Director of Athletics – Brian Wickstrom
 - ii. University's Associate Athletics Director – Kevin VanDerzee
- c. Completed

Sincerely,

Dr. Brian D. Wickstrom
Director of Athletics

cc:

- Dr. Nick Bruno, President
- Dr. Bill Graves, Chief Business Officer
- Ms. Sarah N. Walker, Controller
- Mr. Josh Brooks, Deputy Athletics Director
- Mr. Kevin VanDerzee, Associate Athletics Director
- Mr. Kirby Campbell, Director Internal Audit



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P: (318) 342-5360 F: (318) 342-5367

December 2, 2016

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-0397

Dear Mr. Purpera,

This letter is our official response to the legislative auditor's reportable audit finding dated November 15th, 2016, related to Athletic Ticket Sales Revenues.

RESPONSE: The University of Louisiana at Monroe (ULM) concurs with the audit finding and recommendations.

CORRECTIVE ACTIONS:

ULM has reviewed this finding under the direction of the Athletics Director and Chief Business Officer. The following issues will be addressed:

1) Failure to timely collect ticket sales proceeds ULM Athletic Foundation

- a. Planned Action
 - i. The ULM Athletics Foundation has a repayment plan in place monthly. Recently the ULM Athletic Foundation received notification of a settlement from a claim of \$164,000. This will go directly to reduce the obligation in December 2016. There is an additional asset the ULMAF will be receiving sale proceeds from and that will go directly to the University. There is also pending litigation against the third party ticket sales service provider. Those items coupled with the current monthly installments should have the balance due to the University paid in full by June 30, 2017.
- b. Name and Title of Person(s) Responsible for Implementation
 - i. University Director of Athletics – Brian Wickstrom
- c. Name and Title of Person(s) Responsible for Processing Reimbursements
 - i. Associate Athletics Director – Steven Farmer
- d. Anticipated Completion Date
 - i. June 30, 2017

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2) Failure to Reconcile Ticket Sales Information Timely Between Subsidiary Records and General Ledger

- a. Planned Action
 - i. The Department of Athletics will develop and implement effective reconciliation procedures and internal controls that require subsidiary records to be reconciled to the University's general ledger in a timely manner to ensure amounts collected are recorded and properly safeguarded.
- b. Name and Title of Person(s) Responsible for Implementation
 - i. University Director of Athletics – Brian Wickstrom
- c. Name and Title of Person(s) Responsible for Writing Policy
 - i. Associate Athletics Director – Kevin Vanderzee
- d. January 31, 2017

Sincerely,

Dr. Brian D. Wickstrom
Director of Athletics

cc:

Dr. Nick Bruno, President
Dr. Bill Graves, Chief Business Officer
Ms. Sarah N. Walker, Controller
Mr. Kevin VanDerzee, Associate Athletics Director
Mr. Kirby Campbell, Director Internal Audit

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December 7, 2016

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-0397

Dear Mr. Purpera,

This letter is in response to the legislative auditor's reportable audit finding dated November 15th, 2016, as it relates to timely collection of ticket sales proceeds from the ULM Athletic Foundation. ULM does not deny that the receivable existed as referenced in the finding, but the circumstances that caused the delay in payment are unique and need to be clarified.

The ULM Athletic Foundation entered into an agreement with a third party to handle ticket sales. The terms of this agreement are now in litigation, which has delayed the Athletic Foundation's ability to honor the payment obligations with ULM, as a part of its management agreement to handle and collect ticket sales on behalf of the ULM Athletic Department. The ULM Athletic Foundation has not received about \$477,000 due, per the third party agreement, which has forced them to look at other sources to meet the obligation to ULM. The Athletic Foundation has a plan in place to pay off this debt and we believe the receivable will be cleared by June 30, 2017. Payments have already been made to reduce the receivable as mentioned in the finding and the balance as of today is \$400,251. As an affiliate of the university, we believe it was important for ULM to work with the Foundation to help ease this burden as much as possible as they go through the legal process. We have done that and the relationship between the two remains strong.

We take the collection of outstanding receivables very seriously and will continue to pursue all balances due. I appreciate the opportunity to provide additional information related to this audit finding.

Sincerely,

Bill Graves, PhD
Chief Business Officer

cc: Dr. Nick Bruno, President
Nicole Walker, Controller
Dr. Brian Wickstrom, Director of Athletics

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Monroe (ULM) for the period from July 1, 2014, through June 30, 2016, 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. The procedures included inquiry, observation, and review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for year ended June 30, 2016.

- 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 ULM account balances and classes of transactions to support the opinions on the System's financial statements.
- We performed procedures on the information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2016, as a part of the 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 management for significant variances.

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.