

MCNEESE STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 23, 2016

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

McNeese State University



November 2016

Audit Control # 80160064

Introduction

As a part of our audit of the University of Louisiana System's (System) financial statements for the year ended June 30, 2016, we performed procedures at McNeese State University (McNeese) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of McNeese's internal controls over financial reporting; and determine whether McNeese complied with applicable laws and regulations.

McNeese is a part of the System and reported an enrollment of more than 8,000 students for the Fall 2015 semester. McNeese's mission is to successfully educate undergraduate and graduate students and to provide services to the employers and communities in the southwest Louisiana region.

Results of Our Procedures

Current-year Finding

Failure to Submit Past-due Student Accounts Receivable for Collection

McNeese did not submit past-due student accounts receivable to the Louisiana Attorney General for collection in accordance with its policy. Failure to submit these accounts for collection increases the risk that the accounts will become uncollectible.

McNeese's policy states that, on an annual basis, delinquent accounts that are more than \$200 and 365 days old are reviewed, and a final statement of account is mailed to the last known address advising the student that their account will be placed for collection with the Attorney General's office within 45 days. At that time, the student has an opportunity to pay in full, make payment arrangements, or dispute the charges. After 45 days, the unsettled accounts are electronically sent to the Louisiana Attorney General via secured channels. Outstanding accounts that met McNeese's criteria were not submitted in fiscal year 2016.

In September 2016, McNeese submitted 951 past-due accounts totaling \$1,377,274 to the Attorney General. Prior to that, the last submission to the Attorney General occurred in October 2014.

Management should strengthen procedures to ensure compliance with its policy to submit past-due accounts to the Attorney General's office for collection. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Financial Statements - University of Louisiana System

As part of our audit of the System's financial statements for the year ended June 30, 2016, we considered McNeese'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 resulting from tuition and fees

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, and state appropriations

Expenses - Educational and general expenses, and auxiliary enterprise expenses

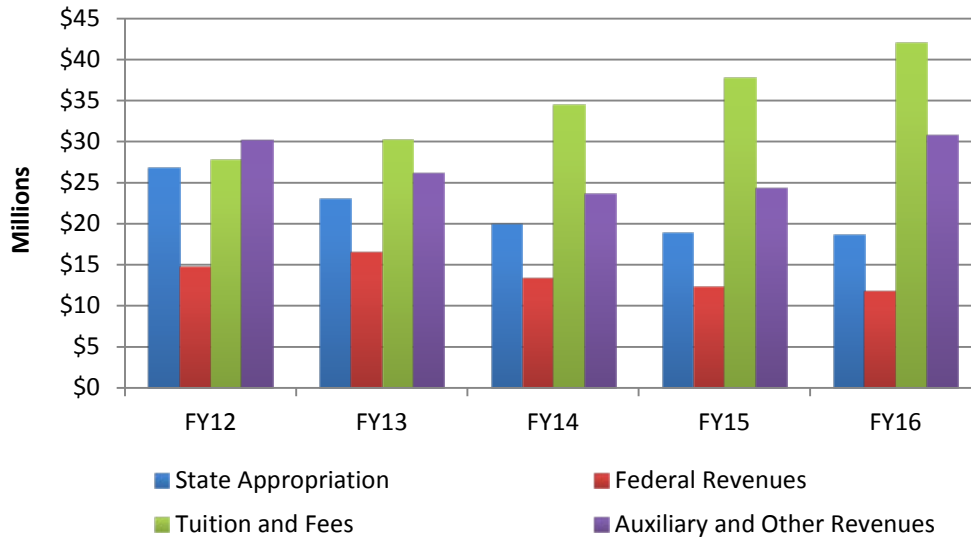
Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations other than that previously reported. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using McNeese's annual fiscal reports and/or system-generated reports and obtained explanations from McNeese 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.

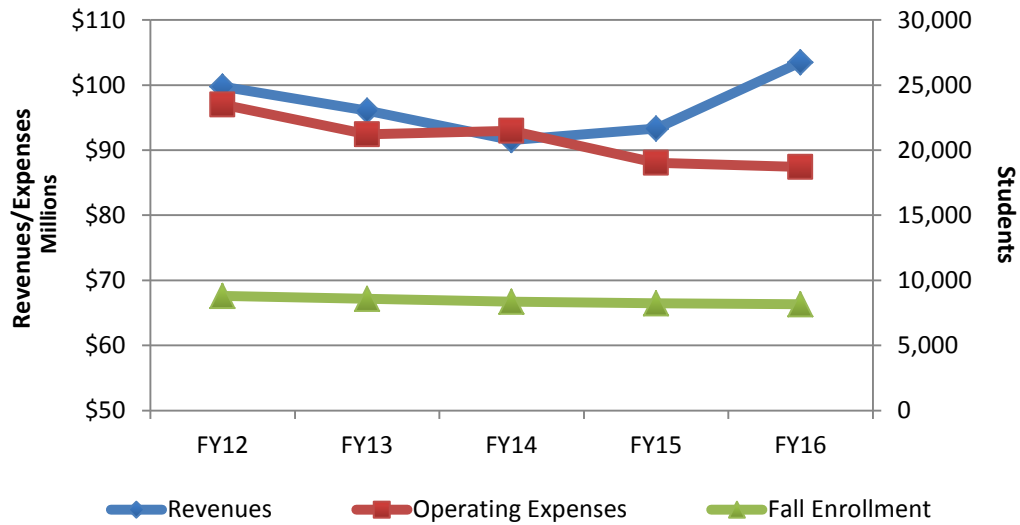
In analyzing the financial trends of McNeese over the past five fiscal years, tuition and fees revenues have steadily increased, while state appropriations have decreased. Over the past four fiscal years, federal revenues have also declined. There was a spike in auxiliary and other revenues in the current year as the result of increased capital appropriations for building repairs and land improvements. Operating expenses continue to decline while enrollment remains relatively consistent. The university's operations may become more dependent on tuition and fees if other revenue sources continue to decline.

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



Source: Fiscal Year 2012-2015 System Audit Reports and Fiscal Year 2016 McNeese Annual Report

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



Source: Fiscal Year 2012-2015 System Audit Reports and Fiscal Year 2016 McNeese Annual Report

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of McNeese. The nature of the recommendation, its implementation costs, and its potential impact on the operations of McNeese 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,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

KD:CR:BH:EFS:aa

MSU 2016

APPENDIX A: MANAGEMENT'S RESPONSE



Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

November 8, 2016

RE: Failure to Submit Past-Due Accounts Receivable for Collection

University Response and Corrective Action Plan:

McNeese State University concurs with the above referenced finding.

The University is now current in its transfer of delinquent past-due student accounts receivable to the Louisiana Attorney General.

For the future, to reduce the amount of time and effort needed to prepare past-due student accounts receivable for transfer to the Attorney General, the University is now in the testing phase of producing a system generated report that contains all the necessary information required by the Attorney General for file transfer. This report will significantly reduce time consuming manual review of individual delinquent accounts. The University anticipates that the report will be fully tested and ready for the next account transfer.

In addition, the University will begin the process earlier and will be diligent to ensure file transfers are completed within the time required by University policy.

Sincerely,

A handwritten signature in blue ink that reads 'Eddie P. Meche'.

Eddie P. Meche
Vice President for Business Affairs and University Services

PC: Dr. Philip C. Williams, President
Mona White, Comptroller

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at McNeese State University (McNeese) for the period from July 1, 2015, 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 for the year ended June 30, 2016.

- We evaluated McNeese'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 McNeese.
- Based on the documentation of McNeese'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 opinion on the System's financial statements.
- We compared the most current and prior-year financial activity using McNeese's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from McNeese management for significant variances.

The purpose of this report is solely to describe the scope of our work at McNeese and not to provide an opinion on the effectiveness of McNeese'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 McNeese's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. McNeese's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.