

NORTHWESTERN STATE UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 6, 2017

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Northwestern State University



December 2017

Audit Control # 80170100

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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 year ended June 30, 2017, we performed procedures at Northwestern State University (University) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of University's internal controls over financial reporting and compliance; and determine whether the University complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

The University is a part of the System and reported an enrollment of 9,819 students for the Fall 2016 semester. The University's mission is to prepare its students to become productive members of society and promote economic development and improvements in the quality of life of the citizens in its region.

## Results of Our Procedures

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### Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the management letter dated November 16, 2016. We determined that management has resolved the prior-year finding related to Inappropriate System Access.

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### Current-year Finding

#### Noncompliance with Timekeeping Rules and Policies

The University's faculty, unclassified, and classified employees and their supervisors did not certify employees' time worked as required by Louisiana Department of Civil Service's (Civil Service) rules and System policies. As of January 1, 2016, the University began using an "exception based" timekeeping method whereby employees and their supervisors only certify the employees' leave taken that is entered in the payroll system by designated timekeepers.

*Civil Service Rule 15.2* requires an employee and the supervisor to certify the actual number of hours worked and absent by the employee. In addition, good internal control requires that transactions be reviewed and approved by the appropriate supervisor prior to the information being entered or finalized in the accounting system. Moreover, System policy requires that attendance and leave records be maintained for all faculty and unclassified employees and be signed by the employees and their supervisors.

Management did not take into consideration the applicable civil service rules or system policies during the implementation of the University's new timekeeping method to ensure all employees and supervisors are certifying employees time worked. As a result, there is an increased risk of payroll error or fraud, and the University has not complied with state rules and System policy.

University management should revise its existing timekeeping policies and procedures to ensure compliance with Civil Service Rules and System policies. 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 a part of our audit of the System's financial statements for the year ended June 30, 2017, we considered the University'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

**Liabilities** - Accounts Payable and Accruals, and Unearned Revenues

**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, Federal Nonoperating Revenues, and State Appropriations

**Expenses** - Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Noncompliance with Timekeeping Rules and Policies, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, 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, 2017, 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 the University 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).

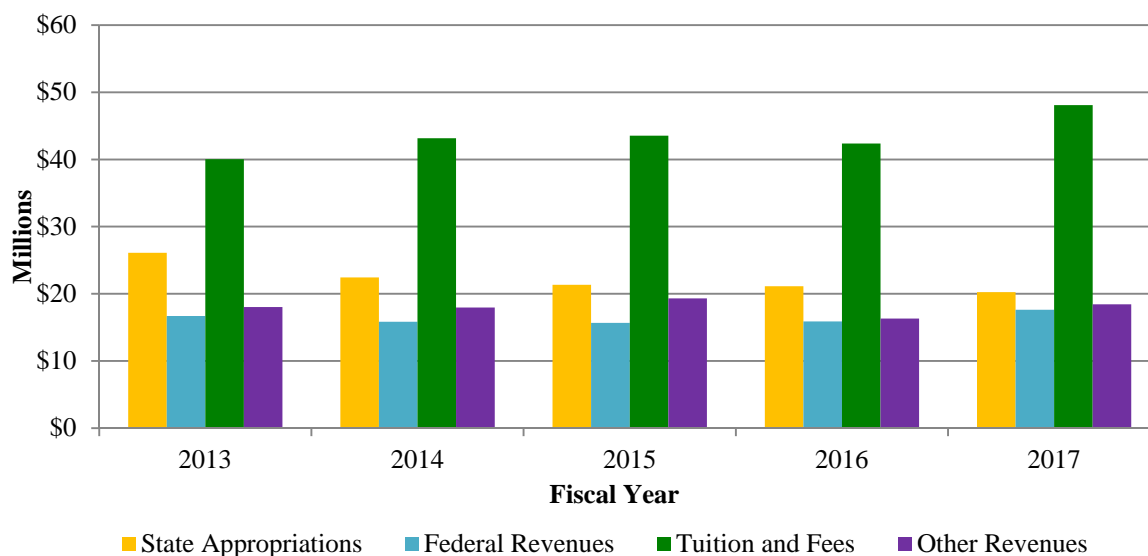
Based on the results of these Single Audit procedures, the University's information submitted for the preparation of the State's SEFA was materially correct.

## Trend Analysis

We compared the most current and prior-year financial activity using the University's Annual Fiscal Reports and/or system-generated reports and obtained explanations from University management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

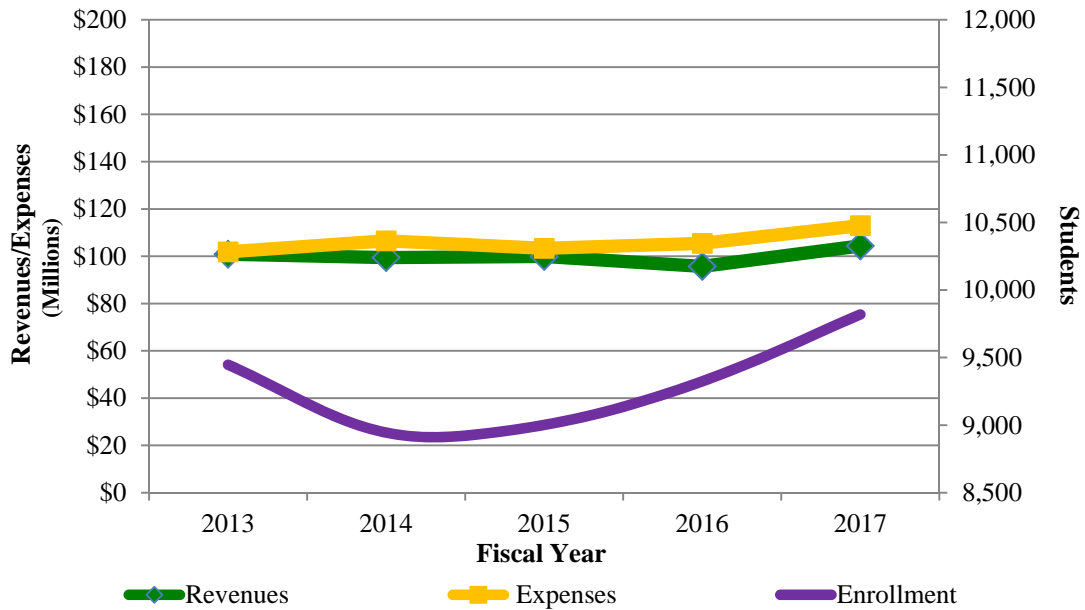
In analyzing the financial trends of University over the past five fiscal years, expenses have consistently exceeded revenues. In fiscal year 2013, the University received \$26.1 million from state appropriations and in fiscal year 2017 received \$20.3 million from state appropriations. As state appropriations decrease, the university has to rely more on other sources of revenues. Tuition and fees revenue has increased by \$8 million since fiscal year 2013, mainly due to increases in tuition rates permitted by the GRAD Act and an increase in student enrollment.

**Exhibit 1**  
**Five-Year Revenue Trend**



**Source:** Fiscal years 2013-2017 Northwestern State University Annual Fiscal Reports, as adjusted


**Exhibit 2  
Fiscal/Enrollment Trends**



**Source:** Fiscal years 2013-2017 Northwestern State University Annual Fiscal Reports, as adjusted, and Board of Regents website Data/Publication

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the University. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the University should be considered in reaching decisions on courses of action. The finding related to the University’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,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

PGH:BAC:BH:EFS:aa

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







November 14, 2017

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

Dear Mr. Purpera:

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

The University's current time reporting system was designed to report only exceptions to the normal work schedule. This does not comply with Civil Service Rule 15.2, which requires employees to certify actual number of hours of attendance on duty and the number of hours of absence from duty. The appointing authority or the authority's designee should do the same - certify the employee's actual number of hours of attendance on duty and the number of hours of absence from duty.

To immediately address the issue of non-compliance, the University will create review documents for each time keeping location allowing employees to certify time worked and leave taken. For classified and unclassified employees, these form will be generated on a bi-weekly basis. For 9-month faculty, the report will be generated on a monthly basis. The reports will be sent to all timekeeping organizations, where employees will be required, by signature, to certify the number of hours worked and the number of hours of absences during each pay period. Again, the appointing authority or the authority's designee will do the same – by signature, certify the employee's actual number of hours of attendance on duty and the number of hours of absence from duty. For all employee types, the appointment authority has designated this responsibility to time keeping approving agents.

This corrective action will be implemented beginning with Payroll #3 beginning on January 15, 2018 for biweekly employees. For 9-month faculty, implementation will occur with Payroll #1, beginning on January 31, 2018. The University will continue to address a more permanent solution.

Cecil Knotts, Human Resources Director, will serve as the contact person and is responsible for corrective action.

Sincerely,

Dr. Chris Maggio,  
President



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Northwestern State University (University) for the period from July 1, 2016, through June 30, 2017, 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, 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 the year ended June 30, 2017.

- We evaluated University'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 the University.
- Based on the documentation of the University'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 information for the preparation of the State's Schedule of Expenditures of Federal Awards for the year ended June 30, 2017, as part of the 2017 Single Audit.
- We compared the most current and prior-year financial activity using the University's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from University's management for significant variances.

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