

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2015
ISSUED DECEMBER 14, 2015

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

University of Louisiana at Lafayette

December 2015



Audit Control # 80150073

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, 2015, we performed procedures at 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 findings reported in the prior year.

UL Lafayette is a part of the System and reported an enrollment of more than 17,000 students for the fall 2014 semester. UL Lafayette's mission is dedicated to achieving excellence in undergraduate and graduate education, in research, and in public service.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the management letter dated December 24, 2014. We determined that management has resolved the prior-year finding related to weaknesses in controls over grants. The finding related to an error in federal reporting has not been resolved and is addressed again in this letter.

Current-year Findings

Misappropriation of Assets by Contractor

The UL Lafayette Police Department provided information regarding three instances of misappropriation of assets totaling almost \$19,000, by Acadian Elevators, a contracted elevator company.

- Between June 2012 and November 2012, UL Lafayette was billed and paid for five elevator jacks costing \$14,000, although it appears that only one was actually

installed. UL Lafayette authorized the service based on recommendations by the contracted state inspector for elevators. The elevator jacks passed state inspection before the vendor was paid.

- In June 2014, Acadian Elevators used without permission from UL Lafayette, a circuit board from the Taft Street Parking Garage to test an elevator at another state agency. In the process, the circuit board was broken. UL Lafayette was billed for a new circuit board and the labor to replace the board for a total of \$2,007.
- UL Lafayette purchased and maintained inventory of hydraulic fluid for use by Acadian Elevators in administering the elevator contract. Between January 2012 and November 2014, Acadian Elevators used hydraulic fluid purchased by UL Lafayette at job sites for other customers. The estimated cost of the inappropriately used hydraulic fluid was \$2,908.

The UL Lafayette Police Department received an anonymous tip and performed an investigation that resulted in an arrest based on the questionable replacement of elevator jacks noted above. UL Lafayette terminated the contract with Acadian Elevators and held payment on open invoices totaling approximately \$13,700. The state has contracted with a new vendor to serve as the state inspector for elevators.

UL Lafayette should continue to pursue action against Acadian Elevators to recoup all misappropriation of university assets. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Untimely Federal Reporting

UL Lafayette did not report Federal Pell Grant Program disbursement data to the U.S. Department of Education (USDOE) through the Common Origination and Disbursement System (COD) timely, as required by federal regulations. Management continued reporting disbursement data to COD within 30 days as previously required, even though the requirement changed to 15 days in April 2013. Management became aware of the requirement change in March 2015. Failure to report financial data to USDOE timely results in noncompliance with federal regulations.

For 21 of 101 (21%) Pell and Direct Loan disbursements reviewed, UL Lafayette did not report disbursement records to COD within 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement. Of the 21 disbursements, one was reported 51 days late, four were 16 to 38 days late, and 16 were four to six days late.

Management should strengthen procedures to identify changes to federal requirements that impact the administration of federal programs. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Failure to Provide Proper Student Loan Notice

UL Lafayette did not provide notifications each time a student's account was credited with Federal Direct Student Loan funds, as required by federal regulations.

Our procedures revealed that for three of 22 (14%) students tested, UL Lafayette did not notify the student or parent of the anticipated date and amount of disbursement and the student's or parent's right to cancel all or a portion of the loan and have the loan proceeds returned to the holder of that loan. Management did not have an adequate process in place to identify all students receiving Direct Loan funds when determining which students should receive loan notifications. As a result, students receiving certain types of loans were excluded from receiving the notifications, and UL Lafayette is in noncompliance with federal regulations.

Management should strengthen procedures to determine which students should receive loan notifications to ensure compliance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Error in Federal Reporting

UL Lafayette overstated the total federal Pell Grant expenditures on the Fiscal Operation Report and Application to Participate (FISAP) report for the award year July 1, 2013, to June 30, 2014, by \$5,479,615. The completion and filing of the FISAP is a USDOE requirement for the university to continue receiving Title IV funding. Failure to accurately report amounts on the FISAP report results in noncompliance with federal requirements and could affect future student financial assistance funding. In addition, Office of Management and Budget Circular A-133 guidance requires the school to use the FISAP to apply for student financial assistance for a subsequent award year. This is the second consecutive year that we have reported errors on the FISAP report.

UL Lafayette did not accurately identify the federal Pell Grant expenditures total from the student accounts receivable data or compare the amount reported on the FISAP to the amounts entered in the USDOE's Grant Management System, as required by FISAP instructions.

Management should establish controls to ensure that the FISAP report is accurately prepared, the instructions are appropriately followed, and the report is adequately reviewed by personnel other than the preparer prior to submission to the USDOE. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

Noncompliance over Return of Title IV Funds

UL Lafayette did not return \$4,743 of federal Title IV funds to the USDOE within the federally required timeframes. Failure to perform the return of funds calculations in a timely manner and timely submit the related returns to the USDOE results in noncompliance with federal regulations.

A test of 25 students who withdrew from the university revealed that UL Lafayette did not return the related federal funds for three students within the 45-day period after determining that the students withdrew. The returns were made between two and 23 days late. Additionally, for one student tested, UL Lafayette did not determine if the return was needed within the required 30 days, making this determination 12 days late.

Federal regulations require UL Lafayette to return program funds within 45 days of the determination date of withdrawal, and to determine the date of withdrawal within 30 days after the period of enrollment. UL Lafayette management did not ensure controls were in place to obtain necessary reports in a timely manner and did not ensure adequate staff was available to determine if returns were needed and perform the return procedures.

Management should strengthen controls to ensure that return of funds procedures are performed timely and that there is adequate staff available to perform the procedures. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 5).

Financial Statements - University of Louisiana System

As part of our audit of the System's financial statements for the year ended June 30, 2015, we considered UL Lafayette'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 - Accounts payable and accruals, unearned revenue resulting from tuition and fees, 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, federal grants and contracts, state and local grants and contracts, nongovernmental grants and contracts, auxiliary revenue, state appropriations, and federal nonoperating revenues,

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. 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, 2015, we performed internal control and compliance testing on UL Lafayette's Student Financial Assistance Cluster of federal programs, as required by the Office of Management and Budget (OMB) Circular A-133. 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 loan 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 and on the status of the prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by OMB Circular A-133.

Based on the results of these Single Audit procedures, we reported findings related to untimely federal reporting, failure to provide proper student loan notice, error in federal reporting, and noncompliance over return of Title IV funds. These findings will also be included in the Single Audit for the year ended June 30, 2015. In addition, the loan information and status of the prior-year finding, as adjusted, were materially correct.

Other Reports

The Legislative Auditor's Investigative Audit Services issued a report on September 30, 2015, identifying problems with the university's food service provider, Sodexo Management. This report was issued in response to an internal audit performed by UL Lafayette. The full investigative report is available in the Audit Report Library on the Legislative Auditor's website at www.lla.la.gov.

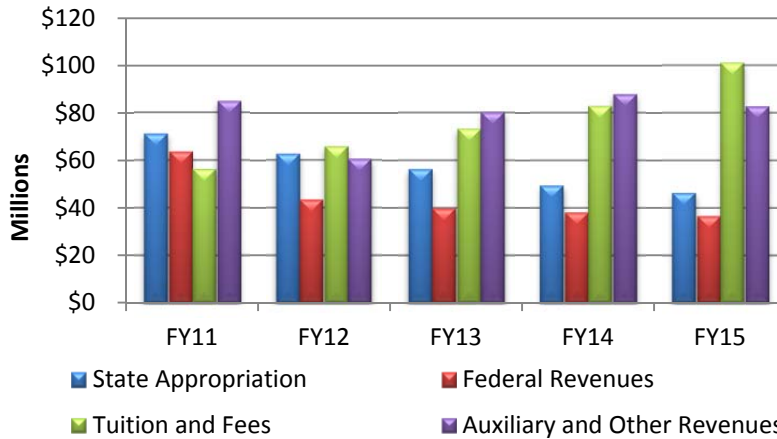
Trend Analysis

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 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 trend of UL Lafayette over the past five fiscal years, tuition and fees revenues have steadily increased because of the increases in tuition permitted by the GRAD Act (Act 741 of the 2010 regular Session of the Louisiana Legislature). Auxiliary and other revenue fluctuations are due to bond proceeds for construction; new permanent endowments and fluctuations in realized and unrealized gain/loss on endowment funds; new dormitories and increased dormitory and meal rates; and a gain on trade of property. State appropriations and federal revenues have decreased since fiscal year 2011. The decline in federal revenues is attributed to the State Fiscal Stabilization funds ending in fiscal year 2011 and a decrease in federal funding of various grants. Enrollment has stayed relatively consistent at UL Lafayette

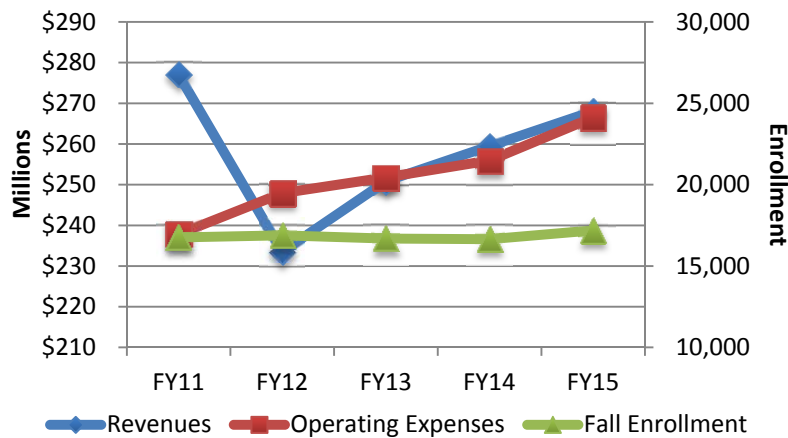
over the past five fiscal years. As state appropriations and federal revenues continue to decline, the university’s operations are becoming more dependent on tuition and fees and auxiliary and other revenues.

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



Source: Fiscal year 2011-2014 ULS Audit reports; Fiscal year 2015 UL Lafayette Annual Fiscal Report, as adjusted

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



Source: Fiscal year 2011-2014 ULS Audit reports; Fiscal year 2015 UL Lafayette Annual Fiscal Report, as adjusted

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.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial 'D'.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

RM:CR:WG:EFS:ch

ULL 2015

APPENDIX A: MANAGEMENT'S RESPONSES



November 6, 2015

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

RE: Misappropriation of Assets by Contractor

Dear Mr. Purpera:

The University of Louisiana at Lafayette concurs with the facts established in the above-referenced finding dated October 23, 2015. As indicated, the University withheld payment on invoices totaling approximately \$13,700 and is pursuing restitution of the full amount of the misappropriation through the criminal process.

Thank you for your work in this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "E. Savoie".

E. Joseph Savoie
President

svc

C: Jerry LeBlanc
Debra Calais
Christine Brasher
Jeremy Guillory



October 30, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please find below our management response to the FY 2014-2015 audit finding of "Untimely Federal Reporting".

The University concurs with the finding.

The Corrective Action Plan created by the University is as follows:

Federal disbursement for Pell Grant and Student Loans are now reported within 15 days of disbursement. The University has added two staff positions in the financial aid office, one of which will be the back-up for federal reporting. The implementation of the integrated Banner System will assist in correcting this finding.

Cindy Perez, Financial Aid Director is responsible to verify the implementation of action plan.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President



October 30, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please find below our management response to the FY 2014-2015 audit finding of "Failure to Provide Proper Student Loan Notice".

The University concurs with the finding.

The Corrective Action Plan created by the University is as follows:

We have a plan in place to correct this finding. The financial aid office will run loan notifications for all of the loan codes possible on a student's account. The implementation of the integrated Banner Computer System will assist in alleviating the finding since the federal student loan notification will be an automated process.

Cindy Perez, Financial Aid Director is responsible to verify the implementation of action plan.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President



October 30, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please find below our management response to the FY 2014-2015 audit finding of "Error in Federal Reporting".

The University concurs with the finding.

The Corrective Action Plan created by the University is as follows:

We have a plan in place to correct this finding. Any section(s) of the FISAP requiring data from a University department or division outside of the Enrollment Management Division now requires review and approval by the reporting department or division before it is submitted to the US Department of Education. The plan is currently in effect. The implementation of the Banner integrated computer system will assist in these errors not occurring in the future.

Cindy Perez, Financial Aid Director is responsible to verify the implementation of action plan.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President



November 30, 2015

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please find below our management response to the FY 2014-2015 audit finding of "Noncompliance over Return of Title IV Funds".

The University concurs with the finding.

The Corrective Action Plan created by the University is as follows:

Cindy Perez, Financial Aid Director is responsible to verify the implementation of action plan.

The Financial Aid Office has developed a management plan to prevent this finding from re-occurring. Part of this plan is in place with back-up personnel that has already been hired. The second part of the plan is to receive the list of potential unofficial withdrawal students the week after finals end and begin processing as soon as possible. Once the unofficial students are determined R2T4 will be processed and the return of funds will be processed immediately.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at University of Louisiana at Lafayette (UL Lafayette) for the period from July 1, 2014, through June 30, 2015, 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 financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2015.

- 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 the opinion on the System financial statements.
- We performed procedures on the Student Financial Assistance cluster of federal programs, on loan information for the preparation of the state’s Schedule of Expenditures of Federal Awards, and on the status of the prior-year finding for the preparation of the state’s Summary Schedule of Prior Audit Findings for the year ended June 30, 2015, to support the 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 management for significant variances.

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 Report, and, accordingly, we do not express an opinion on that report. UL Lafayette’s accounts are an integral part of the System’s financial statements, upon which the Louisiana Legislative Auditor expresses opinions.