

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED FEBRUARY 6, 2019

**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
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.35. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3611 or Report ID No. 80180055 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

University of Louisiana at Lafayette



February 2019

Audit Control # 80180055

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 fiscal year ended June 30, 2018, we performed procedures at the 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 the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the UL Lafayette management letter dated January 24, 2018. We determined that management has resolved the prior-year findings related to Inadequate Accounting of Grants and Contracts and Noncompliance over Return of Title IV Funds. The prior-year finding related to Inappropriate System Access has not been resolved and is addressed again in this letter.

Current-year Finding

Inappropriate System Access

For the second consecutive year, UL Lafayette granted employees inappropriate access to the Banner accounting system. Inappropriate system access increases the risk of errors, fraud, and non-compliance with laws and regulations. Audit procedures on access as of June 2018 revealed the following:

- Three payroll employees have access to complete all human resource and payroll functions related to establishing an employee and processing payroll in the Banner system.

- Two employees have access to modify basic employee information such as status, leave balances, review dates, termination and leave dates, etc. without a business need.
- One employee has access to create or modify direct deposit information without a business need.
- Four cashier supervisors have access to perform all student cashiering functions related to establishing a student, applying exemptions to a student, posting charges and payments to a student's account, and processing refunds in the Banner system.
- Forty-five employees have access to create a student and to modify general student information such as name, mailing address, email address, phone number, Social Security Number and other biographical information without a business need.
- Seven employees have access to identify a user as a supervisor for cashiering purposes and establish security restrictions for entering charges and payments in the Banner system without a business need.

Good internal control requires UL Lafayette to restrict access to those functions necessary for its employees' job duties and ensure job functions and capabilities are properly segregated.

Management should restrict or closely monitor any access that is not properly segregated and timely remove unnecessary or inappropriate access. Management should also establish and implement written procedures related to updating biographical, demographic, or personally identifiable information data in Banner. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2018, we considered UL Lafayette'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, Investments, Due from State Treasury, and Capital Assets

Liabilities - Unearned Revenues resulting from student 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 net of Scholarship Allowances, Federal Grants and Contracts, State and Local Grants and Contracts, Nongovernmental Grants and Contracts, Auxiliary Revenues net of Scholarship Allowances, State Appropriations, and Federal Nonoperating Revenues

Expenses - Educational and General, and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we reported a finding related to Inappropriate System Access, 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, 2018, we performed internal control and compliance testing 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 UL Lafayette's major federal program, as follows:

- Research and Development Cluster

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 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 (SEFA) 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 Uniform Guidance.

Based on the results of these Single Audit procedures, we did not report any internal control deficiencies or noncompliance with program requirements. In addition, UL Lafayette's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

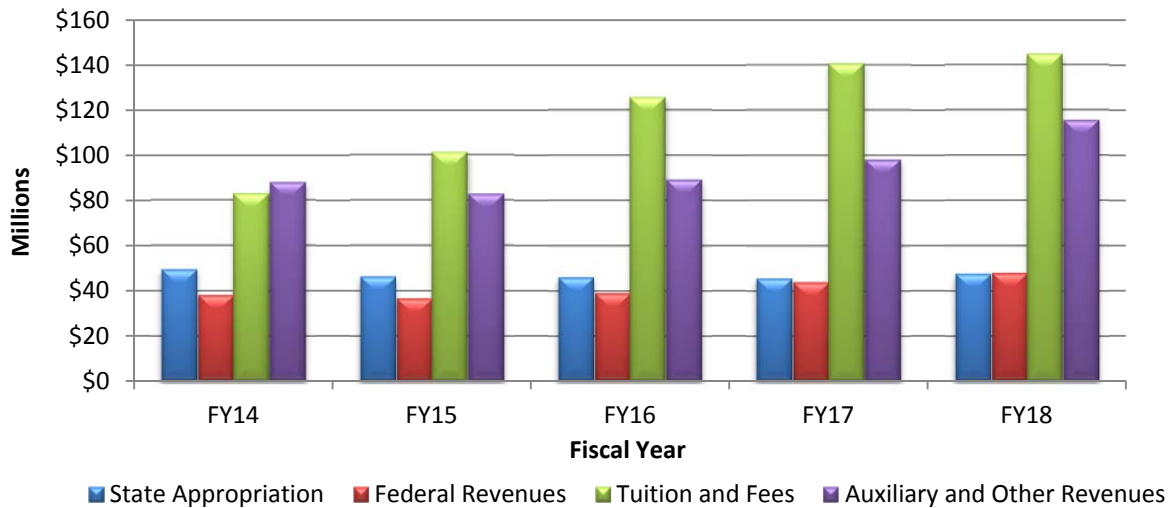
Trend Analysis

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's 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 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

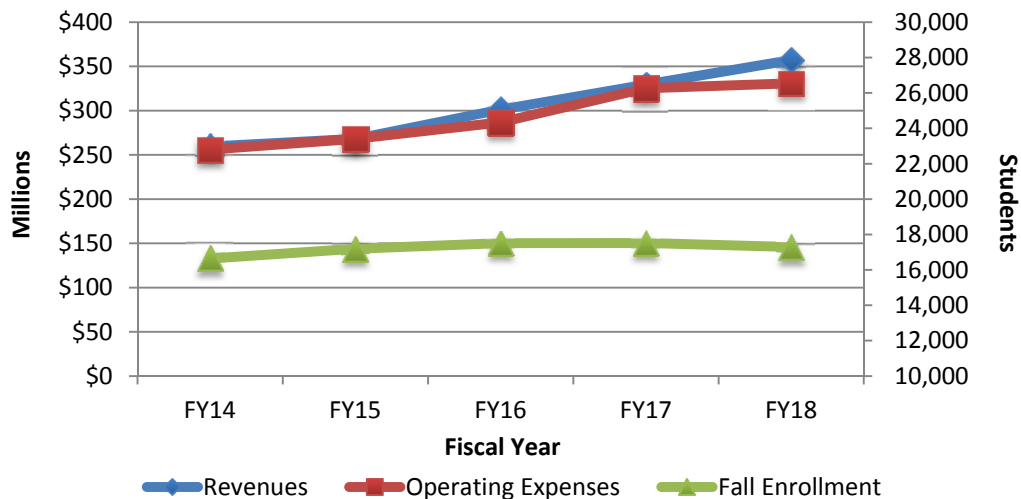
and House Bill 152 of the 2015 Regular Session of the Louisiana Legislature. Auxiliary and other revenue fluctuations are due to bond proceeds for construction; grants and gifts for capital projects and athletics; new permanent endowments and fluctuations in realized and unrealized gain/loss on endowment funds; new dormitories and increased dormitory and meal rates; and increases in research grants with private industry. Operating expenses increased in 2017 due to increases in pension expense recognized, salaries and employee benefits for tuition exemptions, scholarships and fellowships, chairs and professorships discretionary expenses, and Banner support costs.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Years 2014–2018 System Audit Reports/UL Annual Fiscal Reports

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Years 2014–2018 System Audit Reports/UL Annual Fiscal Reports

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of UL Lafayette. The nature of the recommendation, its implementation costs, and its 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

AB:RJM:BH:EFS:aa

ULLAFAYETTE2018

APPENDIX A: MANAGEMENT'S RESPONSE



January 15, 2019

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 2017-2018 audit finding of "Inappropriate System Access."

The University concurs with the finding.

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

In regards to the following bullet points, Paul Thomas, Chief Human Resource Officer, is responsible to verify the implementation of action plan:

- Three payroll employees have access to complete all human resource and payroll functions related to establishing an employee and processing payroll in the Banner system.

In November 2017, HR began the process to build separate security groups and classes based on functional areas, as well as appropriate separation of duties for data security and integrity. A specific Group, Payroll Security Group, was established, limiting query-only access to the Banner forms PPAIDEN, which allows creation of a general person record, and PEAEMPL, which allows assignment of employee role and attributes.

Upon implementation of the new security classes in early 2018, non-conforming legacy and previously established security groups and classes were to be deactivated. As discovered by the Legislative Auditor, one non-conforming security group remained. This legacy security group overruled the controls built into the newly created Payroll Security Group giving the individuals noted above access to all human resource and payroll functions. The legacy Payroll Security group is expected to be deactivated by January 18, 2019.

IT security has been directed to immediately deactivate the legacy security group to prevent Payroll staff from creating a person or assigning the employee role.

- Two employees have access to modify basic employee information such as status, leave balances, review dates, termination and leave dates, etc. without a business need.

One employee's access has been modified to query only. The second employee had access through the legacy Payroll Security group. The legacy Payroll Security group is expected to be deactivated by January 18, 2019.

- One employee has access to create or modify direct deposit information without a business need.

This access has been removed.

In regards to the following bullet point, Mickey Diaz, Registrar, is responsible to verify the implementation of action plan:

- Forty-five employees have access to create a student and to modify general student information such as name, mailing address, email address, phone number, SSN and other biographical information without a business need.

The following steps are being taken to address this issue:

- Access to modify general student information such as name, mailing address, email address, phone number, SSN, and other biographical information on SPAIDEN is being removed for the users identified to not have a current business need.
- All requests to modify general student information such as name, mailing address, email address, phone number, SSN, and other biographical information on SPAIDEN must now be approved by the University Registrar prior to the user receiving such access.
- The Office of the University Registrar will conduct additional training with departments regarding access to student information. Included in the training will be a reminder for departments to consider security access changes that may be necessary when business processes change, when an employee's job duties change, or when the access is otherwise no longer needed.

Mr. Daryl G. Purpera, CPA, CFE

Page 3

January 15, 2019

In regards to the following bullet points, Lisa Landry, Director of Administrative Services, is responsible to verify the implementation of action plan:

- Four cashier supervisors have access to perform all student cashiering functions related to establishing a student, applying exemptions to a student, posting charges and payments to a student's account, and processing refunds in the Banner system.

Access to create a student has been removed from the four supervisors. Mitigating controls have been established to reconcile exemptions, payments and refunds.

- Seven employees have access to identify a user as a supervisor for cashiering purposes and establish security restrictions for entering charges and payments in the Banner system without a business need.

Access has been removed from all employees except supervisors.

Sincerely,



E. Joseph Savoie
President

svc

C: Jerry LeBlanc
Debra Calais
Megan Breaux
Jeremy Guillory

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Lafayette (UL Lafayette) for the period from July 1, 2017, through June 30, 2018, 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, 2018.

- 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 opinions on the System's financial statements.
- We performed procedures on the Research and Development Cluster for the year ended June 30, 2018, as a part of the 2018 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2018, as a part of the 2018 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's 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.