

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED NOVEMBER 20, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, 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 at the office of the parish clerk of court.

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 \$4.07. 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.la.la.gov. When contacting the office, you may refer to Agency ID No. 3576 or Report ID No. 80130095 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

November 7, 2013

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Hammond, Louisiana

As required by Louisiana Revised Statute 24:513 and 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 for the fiscal year ended June 30, 2013, we conducted certain procedures at Southeastern Louisiana University (University) for the period from July 1, 2012, through June 30, 2013.

- Our auditors obtained and documented an understanding of the University's operations and system of internal control, including controls over a major federal award program administered by the University, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the University.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the University's annual fiscal reports and/or system-generated reports and obtained explanations from management for any significant variances. We also evaluated the split of fiscal year 2013 revenues by type and prepared an analysis of revenues, expenses, and enrollment over the last five years for informational purposes.
- Our auditors reviewed the status of the findings in the prior management letter, dated December 12, 2012. The prior year findings related to payroll fraud allowed by weaknesses in controls and failure to reconcile athletic department cash collections have been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting the University's account balances and classes of transactions as follows:

Statement of Net Position - Cash and cash equivalents, investments, amounts due to State Treasury, capital assets, deferred revenue, bonds payable, net investment in capital assets net of related debt, restricted net position, and unrestricted net position

Statement of Revenues, Expenses, and Changes in Net Position - Student tuition and fees, auxiliary enterprise revenue, state appropriations, federal nonoperating revenues, capital appropriations, education and general expenses, and auxiliary enterprise expenses

We also tested the University's compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2013, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the Student Financial Assistance cluster of federal programs for the fiscal year ended June 30, 2013.

The Annual Fiscal Report (AFR) of the University was not audited or reviewed by us, 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.

Based on the application of the procedures referred to previously, we have included a significant finding in this letter for management's consideration. This finding will be included in the State of Louisiana's Single Audit Report for the fiscal year ended June 30, 2013.

Lack of Controls over TRIO Talent Search Program

Southeastern Louisiana University (Southeastern) released an internal audit report dated February 20, 2013, on the TRIO - Talent Search program for the grant period September 1, 2010, through August 31, 2012, which showed incomplete applications to support eligibility of student participants, payments to students for time worked during scheduled classes, and missing computer equipment on loan to participating schools. Failure to follow federal regulations and University policies results in an increased risk of providing services to ineligible students, making improper payments, and misappropriating assets. In addition, noncompliance with program regulations has resulted in \$53,945 in questioned costs, which if disallowed may need to be returned to the federal grantor.

The Talent Search program is a federally funded program to identify and assist individuals from disadvantaged backgrounds who have the potential to succeed in higher education. The internal auditor's report disclosed the following:

- Southeastern failed to require the proper application forms before providing services for students. In a sample of 150 students, three had incomplete or missing application forms. Of 10 tested against database records, three were listed in the database under the wrong eligibility code. In addition, the auditors noted that all 78 student participants from Varnado High School had incomplete applications.

- Two student workers charged hours to the program during scheduled classes on a combined total of 38 occasions, in violation of University policy. This resulted in questioned costs totaling \$576.
- In a sample of 16 movable property items, three were listed in the wrong location and three items listed as off campus were missing. As part of the grant, computer equipment was loaned to schools participating in the program and Southeastern failed to maintain a current inventory of the assets. The scope was expanded to include all property listed off campus and Southeastern was unable to locate any of the 40 items listed as off campus, resulting in questioned costs of \$53,369.

Southeastern should establish controls for the TRIO - Talent Search program to ensure that it adheres to program regulations and University policies related to participant eligibility, student labor, and property control. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that mostly likely to bring about beneficial improvements to the operations of the University. The nature of the recommendation, its implementation costs, and the potential impacts on the operations of the University should be considered in reaching a decision on the course of action. This finding relating to the University's compliance with applicable laws and regulations should be addressed immediately by management.

The purpose of this letter 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 letter is not intended to be, and should not be, used for any other purposes. 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

LMF:EMS:THC:ch

SLU13

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation



October 11, 2013

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

Re: Lack of controls over the TRIO-Talent Search program

Dear Mr. Purpera:

I am in receipt of your letter dated September 26, 2013 regarding an audit finding relating to the lack of controls over the TRIO-Talent Search program. The University concurs with this finding.

The following actions have been taken in response to this finding:

- There was a meeting of the TRIO-Talent Search staff held on October 4, 2013 to review existing procedures in order to strengthen the application process which would result in greater internal controls over data quality and accuracy. As a result, a procedure was adopted that requires application data to be input by the Assistant Director(s), previously input by the Outreach Specialists. The Director then audits the data through a periodic check of the data. This update has been made to all policy and procedure manuals as appropriate. Specifically to the students in question at Varnado High School, it was confirmed that the students were eligible for participation in the program even though the appropriate documentation had not been captured. All paperwork, to include appropriate signatures on all active participants, has since been collected and all updates have been made to the database.
- Student workers are required to submit a class schedule to the Administrative Assistant for the TRIO – Talent Search Program at the start of each semester. The Administrative Assistant then confirms that there is no conflict between scheduled work hours and class time. Student workers are not allowed to work when scheduled to be in class as outlined in the Student Worker Handbook. It should be noted that this information was/is covered in Timekeeper training. It is also included in the Student Worker Handbook which is a part of student worker training. The Provost and Vice President for Academic Affairs reiterated this policy to Academic Affairs staff, including TRIO, in an email of September 4, 2013. The Vice President for Administration and Finance will work with the other Vice Presidents to have an additional communication forwarded to all faculty, staff and students no later than November 1, 2013 to reiterate this policy.
- As of this date, the three moveable property items listed in the wrong location were updated in the Asset Management System.

- The Director of Educational Talent Search, as well as the Assistant Directors and Outreach Specialists, worked with the participating schools to document that the computers previously on loan had been destroyed or surplused even though the correct process for surplus of such items was not followed. Such items dated back to 1992 with the most recent being 2004. The practice of loaning equipment to any participating school has been discontinued as a result of the Internal Audit.

The Director of Educational Talent Search has confirmed that the above referenced actions have been fully implemented and will be responsible for ensuring all future compliance as outlined previously. This will be done with oversight by the Coordinator of Special Projects and TRIO.

If you have any questions or need additional information regarding this audit issue, please feel free to contact me at (985)549-2282.

Sincerely,



Sam Domiano
Interim Vice President
for Administration & Finance