

SOUTHEASTERN LOUISIANA UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 16, 2015

**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

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Southeastern Louisiana University

December 2015

Audit Control # 80150132

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## 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 Southeastern Louisiana University (Southeastern) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of Southeastern's internal controls over financial reporting and compliance; and determine whether Southeastern complied with applicable laws and regulations.

Southeastern is a part of the System and reported an enrollment of 14,498 students for the fall 2014 semester. Southeastern is primarily a teaching institution whose mission is successful education of undergraduate students and services to the employers and communities in its region. The university's overall mission is to lead the educational, economic, and cultural development of southeast Louisiana.

## Results of Our Procedures

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### Current-year Finding

#### Inadequate Controls over PeopleSoft System

Southeastern did not maintain adequate controls over its PeopleSoft system that processes transactions and maintains data related to student records and registration, financial aid, human resources, payroll, and financial operations during fiscal year 2015. Inadequate controls makes the system vulnerable to improper transaction processing, unauthorized access, unapproved changes, and/or the inability to timely restore critical operations. The following weaknesses were noted:

- As of August 9, 2015, five user IDs and three generic IDs allowed users the access to make changes to any data in the system. Southeastern has represented that two of those IDs are assigned to Finance and Budget personnel who perform both end user and IT personnel duties. Granting such access increases the risk of fraud and error. Although manual controls have been established outside of the system and no errors or fraud were identified as a result of the inappropriate

access, end user access and access required for IT personnel should not be granted to the same individual.

- During our review of account status reports as of August 9, 2015, we determined that 95 user IDs had been disabled a week or more after termination of employment, including 45 which were disabled a month or more following termination. In addition, 43 former employee user IDs remained active at the time of audit. System access should be disabled immediately upon termination of employment. Failure to disable terminated employees' user IDs enables those individuals to access the system through any Web browser and potentially create unauthorized transactions. We noted 13 user IDs for former employees that had been used to login to the system after employment had been terminated.
- Southeastern does not have established policies and procedures for recording, approving, prioritizing, and monitoring all routine and emergency system changes. Inappropriate or unauthorized changes could lead to the compromise of critical processes such as payroll or student registration; therefore, it is important to document policies and procedures and log all changes.
- Southeastern's disaster recovery plan lacks a documented analysis of disaster impacts, critical recovery points, and updated employee contacts, reducing its ability to timely restore critical operations and data in the event of disaster.

Our evaluation of Southeastern's controls over its PeopleSoft system was based on best practices, as defined by *Control Objectives for Information Technology (COBIT 5)*, a framework developed by the Information Systems Audit and Control Association. Southeastern represented that the inadequate controls resulted from a reduction in personnel and IT resources because of budget cuts campus-wide. Additional audit procedures were performed to address the risk of errors or fraud caused by the inappropriate access. These procedures identified no such errors or fraud.

Management should dedicate the time and resources to resolve the control weaknesses previously identified by restricting access only as appropriate for business need; disabling system access for separated employees immediately upon termination; establishing policies and procedures to record, approve, prioritize, and monitor program changes; and by revising its disaster recovery plan to document the analysis of disaster impacts, critical recovery points, and updated employee contacts. Management concurred in part 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, 2015, we considered Southeastern'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, capital assets

**Liabilities** - Unearned revenue resulting from tuition and fees, bonds payable

**Net Position** - Net investment in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted

**Statement of Revenue, Expenses, and Changes in Net Position**

**Revenues** - Student tuition and fees, state appropriations, and federal nonoperating revenues

**Expenses** - Educational and general

Based on the results of these procedures on the financial statements, the account balances and classes of transactions tested, as adjusted, are materially correct. In addition, we reported a finding related to Inadequate Controls over PeopleSoft System.

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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, 2015, we performed internal control and compliance testing on Southeastern'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 Southeastern's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether Southeastern complied with applicable program requirements. In addition, we performed procedures on loan information submitted by Southeastern 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 as required by OMB Circular A-133.

Based on the results of these Single Audit procedures, we did not report any internal control deficiencies or noncompliance with program requirements. In addition, the loan information is materially correct.

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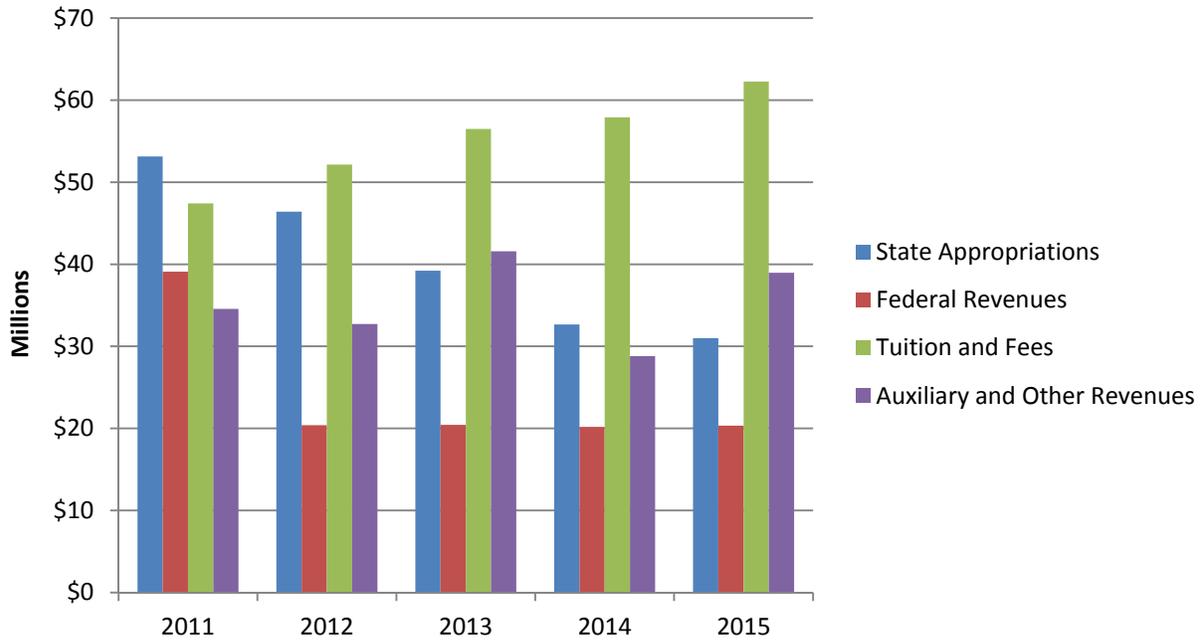
**Trend Analysis**

We compared the most current and prior-year financial activity using Southeastern's annual fiscal reports and/or system-generated reports and obtained explanations from Southeastern 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 Southeastern over the past five fiscal years, expenses have remained fairly consistent. Since fiscal year 2011, state appropriations gave decreased 42%, and federal revenues have decreased 48%. As these revenues continue to become a smaller portion

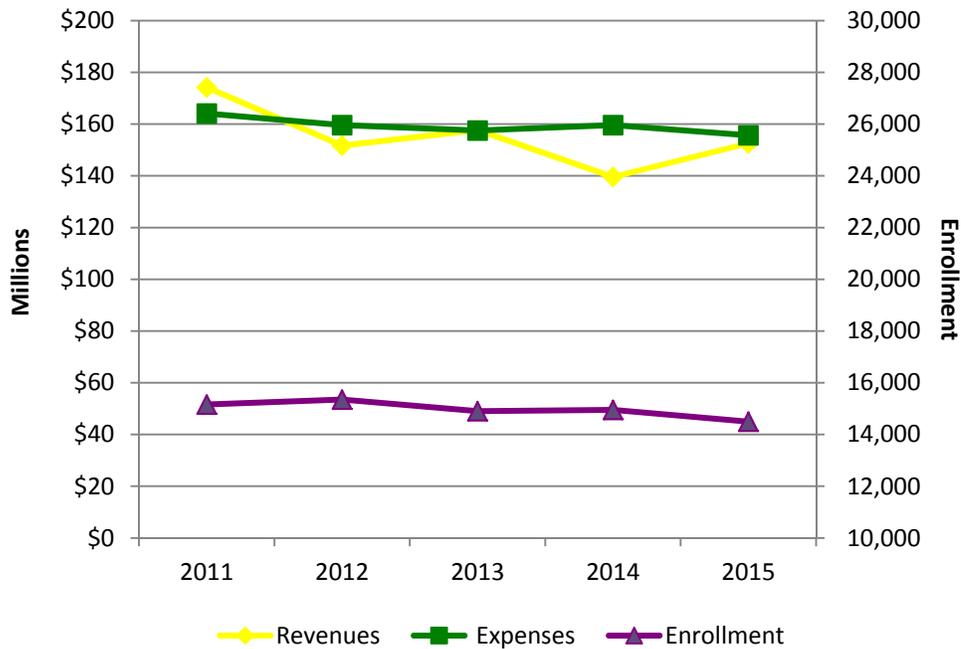
of total revenues, the university’s operations are becoming more dependent on student tuition and fees, and auxiliary and other revenues. Over the same period, tuition and fees have increased by 31% mainly due to the increases in tuition permitted by the GRAD Act (Act 741 of the Regular Session of the Louisiana Legislature). Auxiliary and other revenues have increased by 13%.

**Exhibit 1**  
**Five-Year Revenue Trend, by Fiscal Year**



**Source:** Fiscal year 2011-2012 ULS Audit Reports; Fiscal year 2013-2015 Southeastern Annual Fiscal Reports

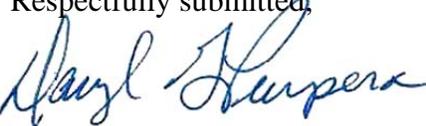
**Exhibit 2  
Fiscal/Enrollment Trends, by Fiscal Year**



**Source:** Fiscal year 2011-2012 ULS Audit Reports; Fiscal year 2013-2015 Southeastern Annual Fiscal Reports

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operation of Southeastern. The nature of the recommendations, their implementation costs, and their potential impact on the operations on Southeastern 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

LMF:EMS:BQD:EFS:aa



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





December 11, 2015

Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
PO Box 94397  
Baton Rouge, LA 70804-0397

Dear Mr. Purpera:

This letter is being sent as Southeastern Louisiana University's official response regarding an audit finding related to inadequate controls over the PeopleSoft system. The University concurs in part with this finding as noted below:

Concur in part with item associated with access - Based on the information provided in the finding specific to system access, it was noted that end user access and access required for IT personnel should not be granted to the same individual. We concur that such access makes the system more vulnerable, and the University has a responsibility to recognize this risk and take appropriate action to minimize such risk. This action would include limiting the number of users with broad-based access, granting access only where a legitimate business need exists, and ensuring that compensating controls are in place to minimize exposure to risk. This appears to be consistent with the audit recommendation, "Management should dedicate the time and resources to resolve the control weaknesses previously identified by **restricting access only as appropriate for business need...**" The University contends this is also consistent with current practice. In addition, there were no specific weaknesses identified in compensating controls and there was no evidence of fraud or error resulting from the review.

Concur with item associated with the termination of access - The University concurs with the item associated with the disabling of access for separated employees. It is important to note, however, that while the audit included all systems, and not just the financial system, 81 of the logins identified as not being terminated timely had no access to the financial system. In addition, 14 users could only access their personal information.

Concur with item associated with change control - The University concurs with the item associated with change controls.

Concur in part with item associated with disaster recovery - The University concurs that there are opportunities to strengthen its Disaster Recovery Plan; however, the finding states that the evaluation of Southeastern's controls over its PeopleSoft system was based on best practices, as defined by *Control Objectives for Information Technology (COBIT 5)*, a framework developed by the Information Systems Audit and Control Association. While we do utilize this resource for the establishment of controls, procedures, etc., there was no law, regulation or professional auditing/accounting promulgation cited to which we are bound, requiring the institution to meet COBIT standards. Therefore, any deviation from best practices for disaster recovery based on COBIT guidance should not be the basis of a finding.

The following actions have/will be taken:

- The University will review employee access, specifically for those individuals with both IT and functional access. Updates will be made to limit the access as much as possible. Should a legitimate business need exist for such access, the need will be documented to include compensating controls. The University will continue to monitor such access and should there be a change in business need, access will be updated and further restricted where possible.
- The University will review procedures for the termination of access for all employees, including student workers and graduate assistants, separated from the University and update procedures as needed to ensure more timely termination.
- While the University had change control practices in place, they were not documented in procedures. They have since been documented and a draft of the document was shared with Legislative Auditor staff. The University will work to finalize this document and ensure adherence.
- The University will review the opportunity for the logging of changes and implement additional logging where possible. A part of the review will include an assessment of the logging and the impact on system performance.
- The University will review its Disaster Recovery Plan and update the plan to include some of the key components as recommended.

The person responsible for the implementation of these actions will be Dr. Mike Asoodeh, CIO. The anticipated completion date for all of these items is June 30, 2016. Any delays due to the availability of resources will be documented accordingly.

Sincerely,



Sam Domiano  
Vice President for Administration and Finance

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Southeastern Louisiana University (Southeastern) 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's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2015.

- We evaluated Southeastern'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 Southeastern.
- Based on the documentation of Southeastern's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on Southeastern's account balances and classes of transactions to support the opinions on the System financial statements.
- We performed procedures on the Student Financial Assistance Cluster of federal programs and on loan information submitted by Southeastern for the preparation of the State's Schedule of Expenditures of Federal Awards for the year ended June 30, 2015, as a part of the 2015 Single Audit.
- We compared the most current and prior-year financial activity using Southeastern's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from Southeastern management for significant variances.

The purpose of this report is solely to describe the scope of our work at Southeastern and not to provide an opinion on the effectiveness of Southeastern'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 purpose.

We did not audit or review Southeastern's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. Southeastern's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.