

NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 10, 2014

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 10, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Dr. Randall J. Webb, President,
Northwestern State University,
University of Louisiana System

Dear Senator Alario, Representative Kleckley, and Dr. Webb:

This report includes the results of the procedures we performed at Northwestern State University (University) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of the Single Audit of the State of Louisiana for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the University for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

PGH:BAC:BDC:THC:aa

NWSU 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Northwestern State University

December 2014



Audit Control # 80140129

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014, we performed procedures at Northwestern State University (University) to evaluate the effectiveness of the University's internal controls and to determine whether the University complied with the requirements of the Student Financial Aid Cluster of federal programs.

The University is a part of the University of Louisiana System and reported an enrollment of more than 8,944 students for the fall 2013 semester. Its mission is to provide exceptional customer service to students, colleagues, and community; develop ongoing professional developmental training to employees to improve customer service; and provide opportunities to share experiences and spotlight individuals and departments for outstanding service.

Results of Our Procedures

Current-Year Finding

Student Enrollment Status Changes Not Reported

The University did not report changes in enrollment status for students who received Federal Direct Student Loan funds to the National Student Loan Data System (NSLDS) as required by federal regulations, which could impair the federal government's ability to recoup loan funds from students.

Our procedures revealed that two of 12 students tested who had changes in enrollment status during the fiscal year had not been reported to NSLDS. These students received a "withdrew never attended" or "WN" grade code, which was not recognized by the University's Banner system in evaluating a student's enrollment status change.

Federal program regulations require the University to report the change in enrollment status for students who graduated, withdrew, never attended, or ceased to be enrolled on at least a half-time basis to the NSLDS within 60 days of knowledge of a student's status change.

As a result of not reporting enrollment status changes, a student's grace period or obligation to begin or resume making scheduled loan payments is delayed, which could further delay or reduce efforts to recoup loan funds by the federal agency.

Management should identify all changes in enrollment status for students receiving Federal Direct Student Loan funds and report the information to the NSLDS within the required time period. Management concurred with the finding and recommendations and outlined a plan of corrective action.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2014, we performed internal control and compliance testing on the University'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 the University's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether the University complied with applicable program requirements.

In addition, we performed procedures on the University's Schedule of Disclosures of Federally Assisted Loans (SDFAL), as required by OMB Circular A-133.

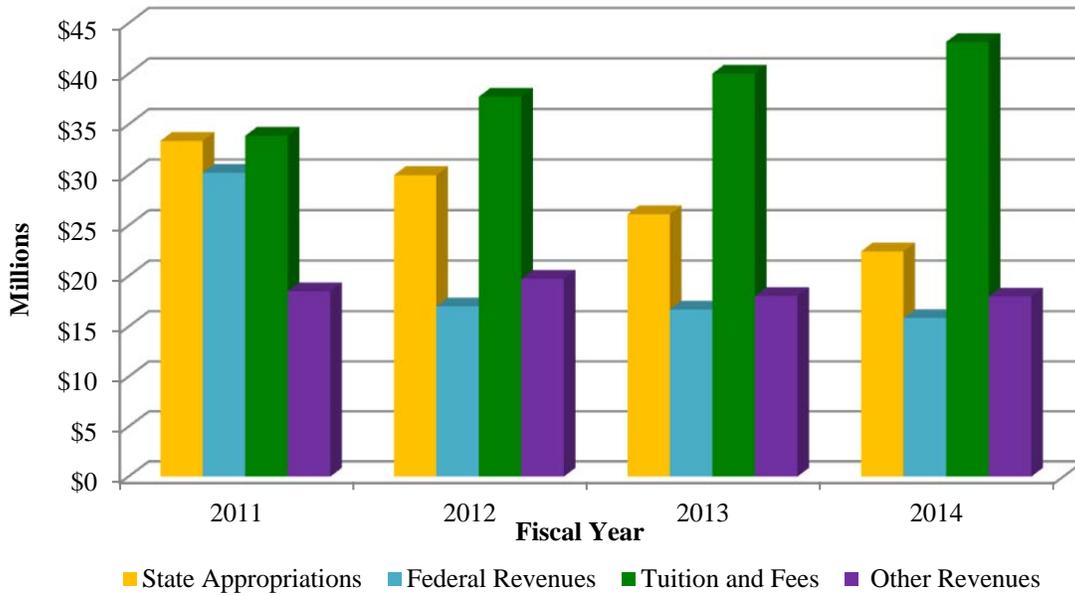
Based on the results of these procedures, we reported a finding related to noncompliance with federal regulations over student enrollment status changes not reported that will also be included in the Single Audit. The student loan total reported on the SDFAL is materially correct.

Trend Analysis

We compared the 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 last four years.

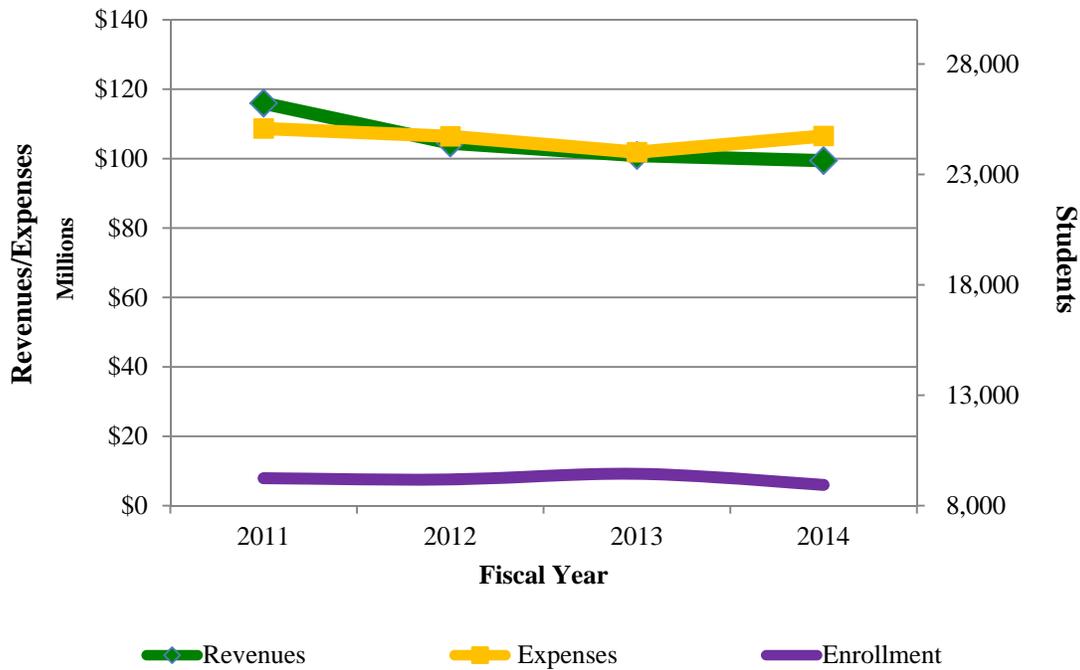
Based on a four-year analysis, total revenues have decreased during the periods presented, while total expenses have slightly outpaced revenues. The decline in state appropriations has been offset by an increase in tuition and fees, and the spike in federal revenues in 2011 is attributable to one-time American Recovery and Reinvestment Act funding.

Exhibit 1 Four-Year Revenue Trend



Source: Fiscal Year 2011-2014 Northwestern State University Annual Fiscal Reports, as adjusted

Exhibit 2 Fall Enrollment Trend Analysis



Source: Fiscal Year 2011-2014 Northwestern State University Annual Fiscal Reports, as adjusted, and Board of Regents website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the University. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the University should be considered in reaching decisions on courses of action. The finding relating 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.

APPENDIX A: MANAGEMENT'S RESPONSE



November 17, 2014

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

Re: Student Enrollment Status Changes Not Reported

Dear Mr. Purpera:

In response to the reportable audit finding of "Student Enrollment Status Changes Not Reported," the University concurs with the individual finding and recommendation. We have begun to address the matter in that the Office of the Registrar resolved the enrollment status issue for the Summer 2014 and submitted an updated enrollment report to the National Student Clearing House. We could not correct prior enrollment data for the other two semesters in the fiscal year 2013-2014.

During Summer 2014, the Office of the Registrar was notified that incorrect enrollment status data was reported to the National Student Clearing House as a result of posted "WN" grades. The "WN" grade code created no reporting problems in the SIS-PLUS 2000 system, however. When trying to find a solution to this problem, it was discovered that required validation tables in the Banner system were not completely programmed to recognize the "WN" grade code, which resulted in student enrollment time statuses not being changed.

The University Registrar's Office corrective action plan includes the following:

- a) **Contact Person:** Lillie Frazier Bell, University Registrar, is the contact person who is responsible for the corrective action.
- b) **Planned Corrective Action:** This planned corrective action requires the Office of the Registrar to create a status code and description on the Course Registration Status Code Validation table (STVRSTS), and to add this course registration status code to the Course Registration Status Form (SFARSTS) before the beginning of each semester.
- c) **Anticipated Completion Date:** The course registration status code and start and end date have been added to the Course Registration Status Form (SFARSTS) – this has already been done for the Fall 2014, Spring 2015, Summer 2015, and Fall 2015 semesters. The Office of the Registrar has made this verification component a part of the beginning-of-the-semester processes.
- d) **Certification:** The Office of Information Systems has created an Argos Report, "Students with WN grades," that is emailed to the Office of the Registrar on a daily basis. This report is validated each day by a designated staff member of the Office of the Registrar to ensure that the enrollment time status is consistently and routinely changed for students with WN grades.

Sincerely,

A handwritten signature in blue ink, appearing to read "Randall J. Webb".

Randall J. Webb
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Northwestern State University (University) for the period from July 1, 2013 through June 30, 2014, to determine the University's compliance with federal program requirements and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*. 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 Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014.

- We evaluated the University's operations and system of internal controls over federal programs through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the University.
- We performed planned procedures on the Student Financial Assistance Cluster of federal programs and on the Schedule of Disclosures for Federally Assisted Loans for the year ended June 30, 2014, to support the Single Audit.
- We compared the 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 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 compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.

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.