

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



MANAGEMENT LETTER
ISSUED JANUARY 9, 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 has been made 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. Two copies of this public document were produced at an approximate cost of \$8.64. 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 Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3611 or Report ID No. 80120064 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain audit procedures at the University of Louisiana at Lafayette (University) as part of the University of Louisiana System's (System) financial statement audit for the year ended June 30, 2012, and to provide accountability over public funds for the period July 1, 2011, through June 30, 2012.

We considered the University's controls, compliance with laws, and financial reporting for financial accounts such as cash, receivables, capital assets, bonds payable, net assets, tuition revenue, federal revenue, auxiliary revenues, state appropriation, and education and general expenses. We also analyzed the University's revenues, expenses, tuition, fees, enrollment, and graduates over the last four years. Our work disclosed the following:

- Financial information relating to the above accounts was fairly presented.
- The University's Police Department and personnel discovered a misappropriation of funds totaling over \$128,000 within the Parking and Transit Department. The Director of Parking and Transit paid himself and others a total of \$108,145 in cash obtained from special event parking to avoid the University's payroll process. The Director paid himself approximately two-and-a-half times his hourly rate and paid the Assistant Director approximately three times his hourly rate. In addition, cash collections totaling \$9,103 were never deposited; cash collections were used to pay expenses totaling \$10,451 that were not properly authorized, of which \$8,451 was not supported; and employees were paid twice for one event resulting in an overpayment of \$1,186. The University has ceased all special events cash collections and is pursuing recoupment of funds where possible.
- For all eight students tested, we found that federal direct loan refunds totaling \$14,920 were not returned to the federal government within the required 45-day period after the students withdrew from classes.
- State appropriations have declined and if this trend continues, the University's operations may become more dependent on federal revenues and increasing tuition and fees. The increase in fiscal year 2011 revenue was caused by increases in federal stimulus funds and construction funds of various projects.

This report is a public report and has been distributed to state officials. We appreciate the University's assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 13, 2012

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

As required by Louisiana Revised Statute 24:513 and as part of our audit of the University of Louisiana System's (System) financial statements for the year ended June 30, 2012, we conducted certain procedures at the University of Louisiana at Lafayette (University) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of the University's operations and system of internal controls, including internal controls over a major federal award program administered by the University, through inquiry, observation, and review of its policies and procedures documentation, including a review of the laws and regulations related 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 University management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year engagement. In our prior year management letter, issued January 4, 2012, we reported findings related to misappropriation of university funds, weakness over timely disbursement of federal financial assistance, weakness over return of federal direct student loans program funds, and weakness in calculation of return of Title IV funds. The findings relating to weakness over timely disbursement of federal financial assistance and weakness in calculation of return of Title IV funds have been resolved by management. The findings relating to misappropriation of university funds and weakness over return of federal direct student loans program funds are repeated in this letter.
- Our auditors considered internal control over financial reporting and examined evidence supporting the University account balances and classes of transactions material to the System's financial statements as follows:

Statement of Net Assets - Cash and cash equivalents, investments, accounts receivable, due from state treasury, capital assets, accounts payable and accruals, bonds payable, and net assets

Statement of Revenues, Expenses, and Changes in Net Assets - Student tuition and fee revenues, federal grant and contract revenues, auxiliary revenues, state appropriations, federal nonoperating revenues, scholarship allowances, education and general expenses, and auxiliary 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. These procedures were performed in accordance with *Government Auditing Standards* as part of our audit of the System's financial statements for the fiscal year ended June 30, 2012.

- Our auditors performed internal control and compliance testing with requirements that could have a direct material effect on a major program in accordance with Office of Management and Budget (OMB) Circular A-133. Procedures were performed on the Research and Development Cluster for the fiscal year ended June 30, 2012, as a part of the Single Audit of the State of Louisiana.

The Annual Fiscal Report of the University is 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, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2012.

Misappropriation of University Funds

The University's Police Department and personnel discovered a misappropriation of funds totaling over \$128,000 that occurred within the Parking and Transit Department of the University from February 2008 through March 2011.

The Director of Parking and Transit assigned employees to collect funds for vehicles parking in University-owned parking lots for various special events, such as Mardi Gras festivities, Festival Acadien, and concerts held at the Cajundome. The funds collected were not deposited with the University's cashiers, as required by University policy, but were inappropriately used and may have violated state law.

- From 2008 through 2011, the Director of Parking and Transit paid himself and others a total of \$108,145 in cash to avoid the University's payroll process. The payments are shown below.

Position	Paid in Cash
Director of Parking and Transit	\$13,920
Assistant Director of Parking and Transit	\$10,885
Others (classified employees/student workers/others not affiliated with the University)	\$83,340

The Director and Assistant Director were both unclassified employees. The University's policy requires that unclassified employees earn compensatory time for time worked over their normal work hours. In addition to the full salary being paid through the University's payroll process, the Director paid himself in cash approximately two-and-a-half times his hourly rate and paid the Assistant Director in cash approximately three times his hourly rate for special events.

- The University's Police Department report noted cash collections totaling \$9,103 that were never deposited.
- The Parking and Transit Department also used cash to pay non-payroll expenses. Expenses totaling \$10,451 were not properly authorized, of which \$8,451 was not supported.
- Employees were paid for one event both through Parking and Transit's normal payroll process and through a wage payroll voucher paid by the University's Athletic Department causing an overpayment totaling \$1,186.

The University terminated the Director of Parking and Transit on October 27, 2011. The Interim Vice-President of Student Affairs, who was over the Parking and Transit Department, retired on December 31, 2011, and the Assistant Director of Parking and Transit resigned on June 28, 2012. The University is seeking restitution from the individuals that were overpaid and as of October 19, 2012, \$12,279 of the \$109,331 of payroll related payments have been recouped. The Parking and Transit Department's disregard for University cash handling procedures and a lack of University management oversight of the department resulted in misuse of University funds and possible fraud. In an attempt to prevent the future misuse of funds from the Parking and Transit Department, University management has ceased all special events cash collections.

Management should continue to strengthen controls to ensure that duties are segregated for cash handling and depositing funds and should develop monitoring controls to ensure that all funds are being deposited in accordance with the University's policies and that expenses are paid through authorized processes. Management should also continue to recoup funds from individuals whether they are still employed or not by the University. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 1-4).

Late Return of Federal Direct Loan Program Funds

The University did not return Federal Direct Loan Program funds totaling \$14,920 to the U.S. Department of Education (DOE) within the required 45-day period after participating students withdrew from classes. From a sample of eight students, we found that refunds for all eight were returned to the DOE between 36 to 51 days late. This is the second consecutive audit that the University did not maintain sufficient control over the Federal Direct Student Loan Program to ensure that funds were returned timely after a student withdraws.

Management should identify students who withdraw and perform the refund calculation timely to ensure that funds are returned to the DOE as required by program regulations. In addition, management should emphasize compliance with federal regulations and program guidance to the appropriate employees through training and guidance. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

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, the implementation costs, and the potential impact on the operations of the University should be considered in reaching decisions on courses of action. The findings related to the University's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the University and its management, others within the University, the System, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. 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

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APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



December 5, 2012

Mr. Daryl G. Purpera
Louisiana Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804

RE: Misappropriation of University Funds

Dear Mr. Purpera:

The University of Louisiana at Lafayette concurs in part with the above-referenced findings in your letter dated November 15, 2012 as follows:

The University concurs with the finding that the Director of Parking and Transit paid himself and others in cash to avoid the payroll process. In addition, the University concurs that this was a misappropriation in that this was unauthorized and not in accordance with University procedure and that it resulted in over or underpayment of wages. Further the University concurs that it is entitled to and has sought reimbursement from individuals who were overpaid.

The University does not concur that it is entitled to recoup all payroll related payments made to employees and seasonal workers who are entitled to payment of wages earned even though they were paid in cash. After internal controls detected discrepancies in payroll procedures, the University meticulously reconciled records, including sign in sheets, to verify the amount of wages due each employee and determined that had the payments gone through the University's payroll system, the net overpayment was \$29,082.20. This includes the following:

1. \$13,920.00 payment to Director of Parking and Transit
2. \$10,885.00 payment to Assistant Director of Parking and Transit
3. \$4,227.20 payment to various employees in excess of their rate of pay (including overpayment resulting from employees receiving pay through wage payroll voucher and regular payroll)

Currently the University has recouped \$12,279.00 of this overpayment, leaving a balance of \$16,803.20 due from current and former employees. The University has made proper adjustments to its payroll records and the employees' W-2 forms to reflect actual earnings or issued 1099's to seasonal workers as appropriate. In addition, the University has filed a claim with the Office of Risk Management to recoup any unreimbursed losses.

The University of Louisiana at Lafayette concurs with all other findings and beginning in 2011 implemented the following measures to address these problems:

- The University ceased all cash collection for parking. All parking fees are collected with a system that only accepts credit/debit cards or the Cajun Card. This includes special event parking, parking permit purchases, and day rate parking. Protocols were established for the cashless system at both the main parking office and the respective day rate parking lots.
- Prior to going cashless on February 1, 2012, the following protocols were established for cash controls effective December 6, 2011 to February 1, 2012:
 1. All collections must be kept in the safe until counted and then returned to the safe until deposited. Two individuals must be present while funds are counted as well as when the cash count sheet and the cash receipt voucher are completed. All register tapes and other supporting documentation must be attached.
 2. The temporary accountant position was eliminated November 11, 2011 and replaced by a records manager from the police department to assist the other full-time accountant employee in the daily cash handling, reconciliation and deposit preparation, and deposit procedures. Police escort is provided for each deposit. The records manager witnesses the deposit procedure and witnesses the lock bag. There is a segregation of duties where the deposit is prepared by one person and the deposit is made with police escort by the second person (Police Records Manager).
 3. Variances greater than \$5 between the cash count and the register tapes must be reported daily. This must be recorded in an exception spreadsheet and reported to the Director or his designee. An audit will be ordered on every variance greater than \$5 to try to determine the cause of the variance. Parking vouchers are recalculated and used to verify register tapes.
 4. Funds and cash receipt vouchers must be kept in the safe until deposited. Deposits must be made on a daily basis of the prior day's proceeds.
 5. Stamped cash receipt voucher must be attached to the corresponding cash count sheet and filed for reconciliation.
 6. On a monthly basis, the cash receipt vouchers, cash count sheets, and statement of accounts must be reconciled by the Director or his designee.

7. Randomly, parking vouchers, register tapes, cash receipt vouchers, and statement of accounts must be reconciled by the Director or his designee.
 8. Booth attendant workers must work from their respective "startup" monies to include those workers providing breaks to the full-time workers. In addition, each worker must sign-on and sign-off of the cash register system during their respective work hours.
 9. Booth workers not following proper protocols will be disciplined up to and including, suspension, reduction in pay, or termination of employment.
 10. Booth workers who experience an unexplained variance (shortage or overage) after an audit of the operations in question will be held accountable and subject to progressive disciplinary action up to and including termination of employment.
 11. Any employee involved in the cash handling operations of the department found in violation of cash handling procedures will be held accountable and subject to disciplinary action up to and including termination of employment.
 12. Institute rotation of booth workers from the different assignments.
- Special event parking was suspended until a cashless system with built in controls could be established.
 - The University created and filled an internal Auditor position for parking services. Hire date was December 5, 2011. The position conducts all audits within the department, maintains all records of said audits, examines all financial statements, journals, and ledgers, reviews monthly financial reports, inspects all cash control records (prior to February 1, 2012) as well as performs operational audits to confirm and maintain sound operational procedures. These audits include the review of access control records, burglary/intrusion alarms, and video cameras for the parking and transit office and the respective day rate parking lots.
 - Instituted rotation of parking enforcement booth workers from the different assignments akin to the banking industry to determine if there are any variances.
 - Implemented Random Drug Screening and periodic background investigations. Classified all workers who have any fiduciary responsibilities as Security and Safety sensitive which requires them all to be subject to random drug screenings, background checks, as well as random credit report screenings. The positions are as follows: Accountant, Auditor, Guard (Parking Enforcement and Booth Attendants). Implemented November 21, 2011.

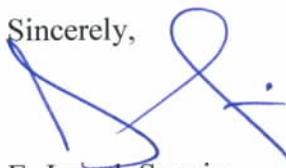
Mr. Daryl Purpera
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December 5, 2012

- The University has adopted an integrity “check” system whereby on an at least a quarterly basis, day rate lot parking enforcement attendants are tested by someone who attempts to pay in cash to determine if the attendant will in fact take the cash. Each integrity test is documented.
- Special event parking was re-instituted in October 2012 with the first event using the cashless system.

In early 2011 the University instituted measures to strengthen its internal controls. These internal controls included, among other measures, the creation of a Funds Handling Compliance Accountant position filled in May 2011. As a result of these measures, the University uncovered the unauthorized activities in the Parking and Transit department which resulted in this finding. The Funds Handling Compliance Accountant was instrumental in this effort as well as establishing procedures to segregate duties for cash handling and depositing of funds, and monitoring controls to ensure that all funds are being deposited in accordance with University policy. Since then, the University has implemented the additional internal controls detailed above and will continue to vigorously pursue the strengthening of internal controls.

Please feel free to notify me if you have further questions.

Sincerely,



E. Joseph Savoie
President

jl



October 23, 2012

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 2011-2012 audit finding of "Late Return of Federal Direct Loan Program Funds".

The University concurs with the finding.

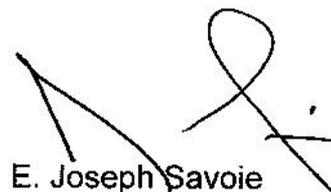
The Corrective Action Plan created by the University is as follows:

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

We are currently reviewing the entire return process and will bring all parties to the table. Our goal is to have every office reduce processing time required to complete the return of Direct Loan Funds. Returning funds on a non-integrated system is challenging and involves quite a number of campus personnel and offices. Effective Fall 2012, we have changed a policy that will expedite the R2T4 calculations.

Sincerely,


Cindy S. Perez
Financial Aid Director


E. Joseph Savoie
President