

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 21, 2005

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

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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 and New Orleans offices of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Eleven copies of this public document were produced at an approximate cost of \$27.17. 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.state.la.us. When contacting the office, you may refer to Agency ID No. 3576 or Report ID No. 05301980 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 Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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STATE OF LOUISIANA
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November 29, 2005

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

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2005, we considered Southeastern Louisiana University's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered Southeastern Louisiana University's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the University of Louisiana System by Southeastern Louisiana University is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The university's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

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, 2005.

Unlocated Movable Property

Southeastern Louisiana University (SLU) did not have adequate internal control over movable property. As required by state movable property regulations, SLU conducted a physical inventory and reported unlocated movable property items totaling \$574,023. Of that amount, items totaling \$84,771 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on SLU's physical inventory certification, the amount of unlocated computers and computer-related equipment totaled \$263,735. The certification of property inventory disclosed \$31,550,503 in total movable property administered by SLU. SLU submitted

its annual certification of property inventory to the Louisiana Property Assistance Agency (LPAA) on September 12, 2005.

Good internal control and the Louisiana Administrative Code prescribe that efforts should be made to locate all movable property items for which there are no explanations available for their disappearance. Assets should be adequately monitored to safeguard against loss or theft, and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Failure to thoroughly secure, locate, and account for movable property increases the risk of loss arising from unauthorized use of the property and could subject SLU to noncompliance with state laws and regulations. Also, the risk exists that sensitive information could be improperly retrieved from the missing computers and/or computer-related equipment, which could compromise SLU's data integrity.

Management of SLU should strengthen its internal controls over movable property, including the procedures for securing its movable assets and conducting its physical inventory, and should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

Failure to Obtain Waiver and Meet Matching Requirements

SLU did not submit an application for waiver of the institutional-share requirement under the Federal Work-Study (FWS) Program (CFDA 84.033) for the 2003-2004 award years. In addition, the institutional share of earned compensation did not consist of 25% of nonfederal institutional funds as required by federal regulations.

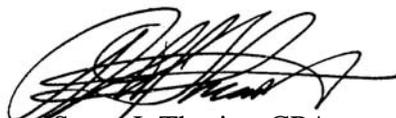
The application for waiver of the institutional-share requirement must be submitted prior to expiration date established under the requirements of the U.S. Department of Education. The Code of Federal Regulations, Title 34 Part 675 Section 26 states that the federal share of FWS compensation paid to a student employed other than by a private for-profit organization, as described in Sec. 675.23, may not exceed 75%.

Management has not placed sufficient emphasis on the timely submission of the application for waiver of the institutional-share requirement. SLU has not paid the 25% of nonfederal institutional match. The university calculated \$60,950 as the remaining required match due to the U.S. Department of Education, and this amount results in questioned costs. There has been no communication from the U.S. Department of Education regarding the amount of the match not paid by the university because of failure to obtain a waiver. SLU should strengthen controls to ensure that the application for waiver is submitted timely. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 3-4).

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, which relates 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 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,



Steve J. Theriot, CPA
Legislative Auditor

LMF:JR:PEP:ss

[SLU05]

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



November 29, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Legislative Audit Finding for 2004-05 Fiscal Year – Unlocated Movable Property

Dear Mr. Theriot:

The University is in receipt of a letter dated November 2, 2005 from Leah Falgout, Senior Auditor, indicating an audit finding regarding unlocated movable property on Southeastern's Campus. Her finding indicates Southeastern does not have adequate internal control over movable property and that Southeastern's management should strengthen its internal control including the procedures for securing its movable assets and conducting its physical inventories. The finding also indicates that Southeastern should devote additional efforts to locating movable property reported as unlocated in previous years. The University concurs in part with this finding.

The University has internal controls in place to assist in complying with the Louisiana Administrative Code and the Revised Statutes as directed by the Louisiana Property Assistance Agency (LPAA). To date, the University has consistently received letters acknowledging the receipt and approval of the Certification of Annual Property Inventory submitted to LPAA. It appears your office is now implementing a higher standard in order to evaluate the internal control methods over movable property. As you are aware, in implementing internal control procedures, there is always a cost benefit analysis to consider. This analysis is to determine if additional cost expended to control a specific item is worth the benefit of the additional controls.

At the current time, the President and the Vice Presidents receive an annual report of all unlocated movable property reported as not located during the current inventory period. As an additional step, a monthly report will be developed and submitted to the President and Vice President on all unlocated movable property by division. The Vice Presidents will work with each Department Head to develop an action plan to reduce the amount of unlocated property under their control. Failure of the Department Head to reduce the amount of unlocated property may result in reduced funding to that budget unit in the future.

The University will modify the annual internal audit plan to include a review of the movable property inventory.

The University is investigating alternative methods to track movable property on campus. This may include, but may not be limited to new technologies such as a radio frequency tracking system for certain types of movable property.

With Southeastern Louisiana University being one of the lowest funded universities in the state, the University endeavors to make every reasonable effort to account for and safeguard our resources.

If my staff or I can provide additional information on the above, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Smith", written in a cursive style.

Stephen Smith
Vice President for Administration & Finance

SS:bn



November 28, 2005

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Legislative Audit Finding with 2004-05 Fiscal Year – Federal Work-Study Program

Dear Mr. Theriot:

The University is in receipt of a letter dated November 15, 2005 from Leah Falgout, Senior Auditor, indicating a possible audit finding regarding failure to obtain the waiver of institutional share requirements under the Federal Work-Study Program and failure to meet the resulting institutional match. The University concurs in part with this finding. Specifically, the institution was not successful in obtaining the waiver for the 2003-04 award year, and subsequently fell short of the resulting match requirement of \$149,031 for the year by \$60,950.

The finding indicates that management has not placed sufficient emphasis on securing the waiver. The University disagrees. The University was not successful in securing the waiver for the 2003-04 year because of an inability to successfully access the site when attempting to submit the electronic application on May 23, 2003. The University made every effort to resolve the technical problem, and in fact, there were twenty-nine subsequent communications and attempted communications with the Department of Education in an effort to resolve the problem. Although the University had successfully secured the waiver for at least ten years prior to the 2003-04 award year, unfortunately, these efforts to resolve the problem for 2003-04 were unsuccessful. Detailed documentation of these attempts was provided to the field auditors.

The finding indicates that the University should strengthen controls to ensure that the application for the waiver is timely submitted. Following the failure to secure the waiver in 2003-04, additional steps were taken to ensure that the waiver would be secured in a timely manner, and the University has been successful in securing the waiver for the 2004-05 and 2005-06 years. These changes included beginning preparations for submitting the application in early March instead of the previously submitted date of May. This provides adequate time to address any problems that may occur in the submission process. In addition, an electronic calendar is being utilized, which allows for email reminders regarding all reporting deadlines.

The finding also indicates that the University has not communicated to the Department of Education the failure to meet match requirements resulting from lack of the waiver. The University disagrees with this part of the finding. The Department of Education is well aware that the University did not obtain the waiver for 2003-04 due to the multiple communications from the University attempting to resolve the issue subsequent to May 23, 2003. Also, the 2003-

04 Fiscal Operations Report (FISAP) communicates the University's failure to fully meet the nonfederal share match.

The University has been unable to locate, and the auditors have not referenced, any federal regulations that delineate the specific steps to be followed when there is an insufficient match. Likewise, no regulations or policies have been identified which provide details regarding the specific financial consequences, if any, associated with the insufficient match.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Smith", written in a cursive style.

Stephen Smith
Vice President for Administration & Finance

SS:bn