

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 19, 2007

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

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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November 27, 2007

**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, 2007, 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 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, 2007.

Unlocated Movable Property

Southeastern Louisiana University (SLU) reported significant amounts of movable property that could not be located. Good internal control requires that adequate control procedures be in place to ensure that movable property is properly safeguarded against loss arising from unauthorized use or theft. In addition, Louisiana Administrative Code Title 34 Part VII Section 313 (A) states, in part, that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. Property unlocated after three years is permanently deleted from movable property records.

SOUTHEASTERN LOUISIANA UNIVERSITY

Louisiana Revised Statutes 39:324 and 39:325 require entities to conduct an inventory of movable property and identify amounts of unlocated property in an annual certification submitted to the Louisiana Property Assistance Agency (LPAA). SLU submitted its annual certification of property inventory to LPAA on September 11, 2007, and reported unlocated movable property items totaling \$610,986 as a result of the physical inventory. Of the unlocated property reported on SLU's annual certification, the amount of unlocated computers and computer-related equipment totaled \$244,267. The certification of property inventory disclosed \$31,970,817 in total movable property administered by SLU.

Failure to adequately monitor, secure, and account for all movable property and locate those items for which there are no explanations available for their disappearance subjects the movable property of SLU to increased risk of loss and/or unauthorized use and to noncompliance with state laws and regulations. Furthermore, because of the nature of services provided by the university, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

SLU's management should strengthen its internal control over movable property to ensure that all movable property is adequately secured and monitored, thorough physical inventories are conducted, and additional efforts are devoted toward 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).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the university. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the university should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the university and its management, others within the university, and the Louisiana State 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,



Steve J. Theriot, CPA
Legislative Auditor

LMF:JR:PEP:dl

SLU07

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

SOUTHEASTERN LOUISIANA UNIVERSITY



October 31, 2007

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

Re: Legislative Audit Finding for 2006-07 Fiscal Year – Unlocated Movable Property

Dear Mr. Theriot:

The University is in receipt of a letter dated October 18, 2007 from Mr. Jullin Renthrope, Audit Manager, indicating a possible audit finding regarding unlocated movable property. He states in his letter, Southeastern should strengthen internal controls over its movable property. The University concurs in part with this finding. As you are aware, in implementing internal control procedures, there is always a cost benefit analysis completed. This analysis is to determine if the additional cost expended to control a specific item is worth the benefit of the additional cost of that control. The University feels that the appropriate internal controls are in place to comply with the administrative codes and guidelines established by the Louisiana Property Assistance Agency (LPAA). This is documented by Louisiana Property Assistance's approval of the certification of the Annual Inventory for Southeastern in their letter dated September 13, 2007 (attached). The University has consistently received unconditional annual certifications from the Louisiana Property Assistance Agency. However, we will continue to work with departments with high levels of unlocated property to come within the higher standards your office is using during annual engagements.

Louisiana Revised Statute (R.S.) 39:325 requires entities to conduct annual inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency. This inventory started in March 12, 2007 with the Department of Property Control conducting the Annual Inventory through the appropriate Budget Unit Heads. In addition, after the inventory was completed, each Vice President was notified of unlocated property in their division in order to assist departments in accounting for unlocated inventory. Therefore, the University does conduct periodic physical counts of the property inventory as required by the Louisiana Administrative Code (LAC) 34.VII.313. As of September 11, 2007, the University reported unlocated property of less than 2% of Southeastern's total inventory. In the past, the Louisiana Property Assistance Agency has accepted this level of tolerance with no additional comments or warnings during the annual certification process.

In 2005, the University had a similar finding. Since that time, the University has implemented additional controls, reporting mechanisms, and training opportunities for Budget Unit Heads.

This training has made Budget Unit Heads more aware of their responsibility for appropriately accounting for movable property. We felt they have done a more diligent job in reporting unlocated property, thus causing a spike in identifying unlocated property during the current inventory cycle. While this created a short term problem, we feel this will benefit the University in the long run by keeping a tighter control over movable property.

An additional control was placed in service during the current year. The Internal Auditor expanded her annual audit program to include an audit of five departments with large inventories to assist in improving the internal control over movable property for those departments. These audits are currently being conducted. Even though they are not completed as of this date, a number of unlocated items have been found.

Your finding also indicates approximately one-third of the University's unlocated movable property relates to technology equipment. The University has standardized the majority of its computer purchases to Dell Computers. On all Dell laptop computers purchased after November 2005, a computer tracking software is included to assist the University in tracking laptops that are stolen. The University is reviewing the cost of expanding the installation of this software onto laptops purchased before November 2005. The University is also looking at the feasibility of installing similar software on desktop units, which could assist in the recovery of stolen property.

In addition to the above, the University began expanding security measures on campus by implementing a camera system in 2006-2007. This effort continues in the 2007-2008 fiscal year by adding additional cameras and security systems within certain buildings.

Dr. John Crain, Provost and Mr. Stephen Smith, Vice President for Administration & Finance are the individuals responsible for implementing the plan as outlined above. A number of items and procedures mentioned above have already been implemented. The additional security aspects in buildings should be completed during the 2007-2008 fiscal year.

Southeastern endeavors to make every reasonable effort to account for and safeguard our resources. If my staff or I may provide additional information on the above, please do not hesitate to call.

Sincerely,



Stephen Smith
Vice President for Administration & Finance

SS:bn

Attachments



Kathleen Babineaux Blanco
GOVERNOR

State of Louisiana
DIVISION OF ADMINISTRATION

LOUISIANA PROPERTY ASSISTANCE AGENCY

September 13, 2007
08-079

Jerry Luke LeBlanc
COMMISSIONER OF ADMINISTRATION

82600

Mr Edward Gautier
Property Manager
Southeastern Louisiana University
SLU 1800
Hammond LA 70402

Dear Mr. Gautier:

This letter acknowledges the receipt and approval of the Certification of Annual Property Inventory for your agency that was submitted on September 11, 2007. Your next certification must be submitted by **September 12, 2008.**

All items not located during your physical inventory must be placed in the "unlocated year" field on the State master file and retained on your inventory for three years. Discrepancy items located may be removed by written notification to this office.

State Property Compliance Officers may periodically examine your property control programs for completeness and accuracy of inventories, records, and reports.

Please feel free to contact us if we may be of further assistance.

Sincerely,

Floyd Rector, Program Compliance Office Supervisor
Planning/Analysis Section

10/3/07

FR/rk

c: Legislative Auditor

✓ Dr. Randy Moffett
✓ Mr. Stephen Smith
✓ Dr. John Crain
✓ Dr. Joseph Miller
✓ Dr. Marvin Yates
✓ Ms. Judy Bowles
✓ Ms. Linda Boggas
File

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LOUISIANA DIVISION OF ADMINISTRATION
PROPERTY ASSISTANCE AGENCY