

LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY 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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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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December 13, 2005

LOUISIANA STATE UNIVERSITY IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Shreveport, Louisiana

As part of our audit of the Louisiana State University System's financial statements for the year ended June 30, 2005, we considered Louisiana State University in Shreveport'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 Louisiana State University in Shreveport'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 Annual Fiscal Report of Louisiana State University in Shreveport was 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 Louisiana State University 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, 2005.

Unlocated Movable Property

Louisiana State University in Shreveport identified unlocated movable property items totaling \$369,499 as a result of its annual property inventory certification procedures. Of that amount, items totaling \$58,200 were removed from the property records because these items had not been located for three consecutive years. Of the unlocated property reported on the university's property inventory certification, the amount of unlocated computers and computer-related equipment totaled \$152,417 and the amount of lab and audio visual equipment totaled \$204,857. In addition, a test of movable property acquisitions for fiscal year 2005 revealed one of 25 (4%) acquisitions tested was not in

the university's possession but had been transferred to Northwestern State University. It was subsequently discovered that the university actually transferred a total of five items on January 30, 2003, costing \$20,707 to Northwestern State University. However, the items were not removed from the university's property listing as required by the Louisiana Property Assistance Agency (LPAA).

Louisiana Revised Statute 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated property to LPAA. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. The university's certification of annual property inventory, submitted to LPAA on April 8, 2005, disclosed \$13,637,261 in total movable property.

Management of the university has not enforced and consistently applied its existing policies and procedures for tracking the movement of property items or conducting the annual inventory. According to the property control officer, a major problem occurs when the personnel responsible for safeguarding property items fail to report items missing or moved to other locations in a timely manner. Furthermore, once the annual inventory is taken and items are identified as unlocated, the property control officer either does not perform an extensive search or does not always receive timely assistance from university personnel to locate the items.

Failure to enforce existing policies and procedures and put forth additional effort to locate unlocated items subjects university movable property to increase risk of loss and/or unauthorized use and subjects the university to noncompliance with movable property laws and regulations. Furthermore, because of the nature of the services provided by the university, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management of the university should enforce and consistently apply its existing policies and procedures for tracking the movement of property items and conducting the annual property inventory. In addition, management should strengthen its procedures to require more extensive searches for unlocated items and require university personnel to immediately respond to the property control officer's requests concerning unlocated property. Finally, management needs to devote additional efforts to locating movable property reported as unlocated in previous years and comply with all applicable requirements of LPAA. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

Failure to Comply With Notification Deadlines

Louisiana State University in Shreveport did not timely notify the appropriate parties when students who had been awarded Pell Grants (CFDA 84.063) and Federal Family Education Loans (FFEL) (CFDA 84.032) withdrew from the university. The Code of

Federal Regulations, Title 34, requires notifications to take place within certain time frames when a student withdraws and an overpayment of financial aid occurs or the student's status changes:

- 34 CFR Part 668.22(h)(4)(ii) requires a university to send a notice within 30 days to any student who withdraws from the university resulting in an overpayment of Title IV, Higher Education Act grant funds.
- 34 CFR Part 668.22(h)(4)(iv) requires the university to refer to the secretary of the Department of Education (SDE) any overpayment of Title IV funds owed by a student immediately after a repayment period of 45 days from the date the university was required to send notification to the student of the overpayment.
- 34 CFR Part 668.22(j) requires a university to return unearned Title IV funds no later than 30 days after the date the university determines the student withdrew.
- 34 CFR Part 682.610(c)(2) requires a university to notify the lender or other appropriate party of a change in a student's status within 30 days or notify the SDE or the guaranty agency within the next 60 days of such change.

Our audit revealed the following instances of noncompliance:

- Four of five students tested (80%) receiving Pell funds withdrew from the university and were not notified by the university of their overpayments from five to 53 days after the required 30-day period. Three (60%) of the Pell students tested did not repay their overpayment within 45 days, and referral to the SDE was not made by the university from 47 to 94 days after the 45-day period. Furthermore, return of Pell funds by the university to the SDE for all five students were made from 31 to 107 days after the 30-day period following the students' withdrawal.
- Six of eight students tested (75%) receiving FFEL withdrew from the university and failed to repay their overpayment. The students were referred to SDE from five to 72 days after the 45-day period. Refunds to lenders for all eight students tested were made from 36 to 117 days after the required 30-day period.
- The student status for eight of 22 students tested (36%) receiving FFEL funds who withdrew from the university was not timely, or in some cases, not properly reported to the appropriate parties. The status reported for two of these students was incorrect. The status for two other students had not been reported as of September 20, 2005, and the status for the remaining four students was reported 71 days after the 60-day period.

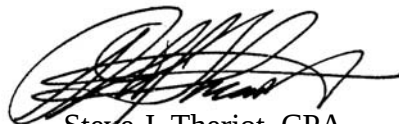
Management indicated that these reporting problems occurred because of a shortage of staff and the implementation of the new computer system. It was also noted the financial aid staff were not familiar with the new computer system and its applications. The failure of the university to meet required reporting deadlines places the university in noncompliance with the applicable federal program regulations.

Management of the university should implement the policies and procedures necessary to ensure that it meets all reporting deadlines established by applicable federal regulations. In addition, the financial aid staff should receive the training necessary to become familiar with the new computer system and its applications. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvement to the operations of the university. The varying 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 findings, which relate 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,

A handwritten signature in black ink, appearing to read 'Steve J. Theriot', is written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

KWB:WJR:THC:dl

LSUS05

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



Louisiana State University in Shreveport

Office of The Vice Chancellor, Business Affairs

October 12, 2005

**Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
P. O. Box 94397
1600 North Third Street
Baton Rouge, Louisiana 70804-9397**

Re: Audit Finding, Unlocated Movable Property

Dear Mr. Theriot:

We concur with the findings and recommendations of the Legislative Auditor in regards to unlocated moveable property. Our current policies and procedures are being reviewed and updates are being implemented to tighten controls. This process will be completed by June 30, 2006.

In order to tighten controls on moveable property, the following will be implemented:

- **Establish a time frame/dated outline for each step of annual inventory to allow sufficient time for an extensive search for unlocated property by both the Property Control Coordinator and individual departments.
Completion date: January 10, 2006.
Contact person responsible for corrective action: Cynthia Armstrong, Director of Purchasing and Susan Gutierrez, Property Control Coordinator**
- **With the annual inventory, individual departments will be requested to submit explanations of why they have not located all the moveable property on their annual inventory.
Completion date: Now in effect.
Contact person responsible for corrective action: Cynthia Armstrong, Director of Purchasing and Susan Gutierrez, Property Control Coordinator**
- **We will modify our computer inventory program to include a searchable field to record the serial numbers for all equipment.
Estimated completion date for the programming: January 2, 2006.
Estimated completion date for populating this field with data: June 30, 2006.
Contact person responsible for corrective action: Cynthia Armstrong, Director of Purchasing and Susan Gutierrez, Property Control Coordinator**

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www.lsus.edu

- All documentation for items to be scrapped, surplus or dismantled for parts must include the brand name, model, serial number, if applicable, and university tag number.

Completion date: now in effect.

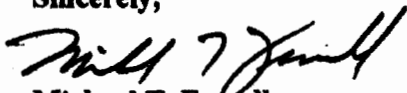
Contact person responsible for corrective action: Cynthia Armstrong,
Director of Purchasing and Susan Gutierrez, Property Control Coordinator

To keep all new and existing department heads aware of policies and procedures, quarterly reminders of the importance of maintaining their departmental inventory of moveable property will be sent out to all departments. We will also stress the importance of departments notifying the Property Control Coordinator of any transfer of equipment between departments and the importance of reporting missing equipment. This information is also posted on our website and included in the Fall 2005 Safety Meeting document, which has been distributed to every employee, including student workers.

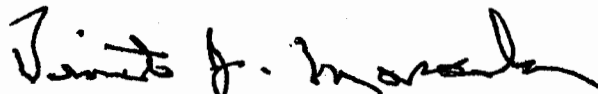
Outside of the annual inventory, the University will distribute to all departments a document listing all missing movable property and request that a specific search be conducted for these items.

We do take the annual inventory of our moveable equipment very seriously. It should be noted that on the last annual inventory, we located 97.15% of the items and 97.26% of the dollar value of the moveable equipment on our inventory. As part of our normal process we continue to work with individual departments to find items that were recorded as missing in the annual inventory. At the last count, we have located 97.9% of the items and of the dollar value of our annual moveable property inventory.

Sincerely,



Michael T. Ferrell
Vice Chancellor for Business Affairs



Vincent J. Marsala
Chancellor



Office of the Chancellor

November 1, 2005

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

Dear Mr. Theriot:

This response concerns the audit finding for LSU in Shreveport.

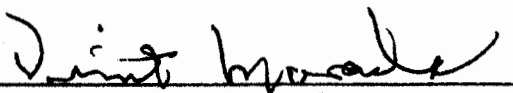
Title: Failure to Timely Notify

The university concurs with the finding and recommendation.

Corrective Action: The Financial Aid department has completed the development of reports which identify students who withdraw during the semester or fail to complete any hours during the semester. A report listing students who withdraw during the semester is generated at least monthly during the semester; the Title IV letter is mailed to students; and funds are returned appropriately within the required time frames. At the conclusion of the semester, a report identifying students who failed to complete any hours is generated, and letters are mailed within the required time frames if the student owes a Title IV refund.

The Director of Financial Aid is responsible for the corrective action which has been taken. The university is now in compliance with the finding for the 2005-06 fiscal year.

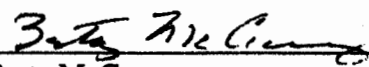
As indicated in the finding, the implementation of the new computer system and the staff's difficulty in utilizing the reports contributed to the condition indicated by the finding. The new reports have corrected the situation.



Vincent J. Marsala
Chancellor



Gloria Raines
Vice Chancellor for Student Affairs



Betty McCrary
Director of Financial Aid

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