

UNIVERSITY OF LOUISIANA AT MONROE
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 \$8.34. 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. 3495 or Report ID No. 80120021 for additional information.

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EXECUTIVE SUMMARY

We conducted certain audit procedures at the University of Louisiana at Monroe (University) as part of the University of Louisiana System's (System) financial statements for the year ended June 30, 2012, and to evaluate its accountability over public funds for the period July 1, 2010, through June 30, 2012.

We considered the University's controls, compliance with laws, and financial reporting for financial accounts such as cash and cash equivalents, investments, capital assets, bonds payable, net assets, tuition revenue, grant and contract revenue, auxiliary revenues, state appropriation, federal nonoperating revenue, and education and general expenses. We also evaluated controls and compliance for the federal Student Financial Aid Cluster. Our procedures disclosed the following:

- Financial information that was material to the System's financial statements was fairly presented.
- The University's internal auditor issued a report that identified missing funds totaling \$58,554 in the Department of Recreational Services as a result of control deficiencies over cash. In addition, the report noted that additional funds could be missing because some pre-numbered receipts had been totally removed from the receipt books and approximately three months of cash register tapes were not located.
- Tests performed on the Student Financial Assistance Cluster did not identify weaknesses or noncompliance that required communication to management.
- The findings identified in our prior management letter relating to control weaknesses over the bank reconciliation process, inaccurate annual fiscal report, and federal grant reimbursement in excess of actual expenses have been resolved by management.
- The University relied upon a combination of one-time federal revenues, tuition increases, and fee increases to offset its decreased state appropriations.

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 5, 2012

UNIVERSITY OF LOUISIANA AT MONROE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Monroe, 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 and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2012, we conducted certain procedures at the University of Louisiana at Monroe (University) for the period from July 1, 2010, 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 major federal award programs administered by the University, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable 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. We also analyzed the University's revenues, expenses, enrollment, and completers over the last four years.
- Our auditors reviewed the status of the three findings identified in the prior engagement. In our prior management letter on the University, issued February 23, 2011, we reported findings relating to control weaknesses over the bank reconciliation process, inaccurate annual fiscal report, and federal grant reimbursement in excess of actual expenses. These findings have been resolved by management.
- 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, due from state treasury, capital assets, bonds payable, and net assets

Statement of Revenues, Expenses, and Changes in Net Assets - Student tuition and fee revenues, grant and contract revenues, auxiliary revenues, state appropriations, federal nonoperating revenues, and education and general 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, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the Student Financial Aid 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 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 System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included one significant finding that is required to be reported by *Government Auditing Standards*. This finding will not be included in the State of Louisiana Single Audit Report for the year ended June 30, 2012.

Missing Recreational Services Funds

The University's internal auditor issued a report that identified missing funds totaling \$58,554 in the Department of Recreational Services (DRS) as a result of control deficiencies over cash. In addition, the report noted that additional funds could be missing because some pre-numbered receipts had been totally removed from the receipt books and approximately three months of cash register tapes were not located. The internal auditor's test of controls covered a period from May 28, 2010, through August 1, 2012.

The internal audit report disclosed control deficiencies that included, but were not limited to, the following:

- A criminal background check was not performed before hiring an employee whose job duties included handling cash. The employee was later found to have a felony conviction for theft prior to her employment at the University.
- Pre-numbered receipts were not adequately controlled and accounted for. For example, when additional receipt books were purchased, the numbers on the new receipts did not follow the same sequence as the old receipts. In addition, there was no record maintained of the receipt books purchased, issued, and on hand.

- Employee duties were not adequately segregated. The same employee's job duties included receiving monies, completing pre-numbered receipts, entering receipts in the cash register, preparing deposit forms, and making deposits at the bank.
- All monies received in the DRS were not reconciled with the amounts deposited or posted to the accounting system, and there was no indication of an independent review of the deposits.
- Records related to cash collections were in disarray and certain records requested could not be located, which may indicate noncompliance with Louisiana Revised Statute 44:36 regarding preserving of public records.
- Cash receipts were not deposited timely. The average number of days between deposits was from seven to 87 days.

Good internal controls should safeguard the University's assets and ensure that its policies and procedures are uniformly applied. A lack of controls over cash increases the risk that errors and/or fraud could occur and not be detected in a timely manner.

Management should implement the internal auditor's recommendations related to performing background checks, controlling and accounting for pre-numbered receipts, maintaining separate cash drawers, having adequate segregation of duties, performing independent reconciliations, maintaining complete records, making timely deposits, and preparing written policies and procedures. In addition, management should attempt to recoup the missing funds, as appropriate. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A).

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.

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

KVL:BAC:BDC:EFS:dl

APPENDIX A

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

UNIVERSITY OF LOUISIANA

MONROE

December 14, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

We appreciate the opportunity to respond to your audit finding of "Missing Recreational Services Funds". The University concurs with the finding. On October 12, 2012, a claim was submitted to ORM by ULM to recoup the missing funds. At present, we are awaiting notification in regard to the status of this claim.

The corrective action plan created by the University is as follows and Ms. Treina Landrum, Director of Recreational Services, is responsible for implementation of the plan.

1. Background Checks

This correction action is complete. Background check requests have been submitted for all full-time unclassified staff, all classified full-time staff, student office staff and Service Center student supervisors.

2. Pre-Numbered Receipts

This correction action is complete. The Director of Recreational Services, Treina Landrum, received custom, numbered receipt books for all Recreational Services Accounts/Areas (Activity Center, Service Center, Intramurals and Water Ski Team) on September 28, 2012, from a local reputable printer, Cooley Printers and Office Supply. Each area has a labeled series of consecutively numbered receipt books. Account specific, "for deposit only" stamps were also purchased from the same printer. A receipt book for each account was placed into service on October 1, 2012 and signed for by the person receiving the receipt book/s. The receipt book log was started on the same day. All generic receipt books in service were retrieved and are stored with the other archived receipt books. The remaining un-used generic blank receipt books were shredded. The printer's manifest has been retained for use in agreeing with the tickets actually received. Receipts are being used in consecutive order, and records are being maintained of the receipt books and corresponding receipt numbers purchased, issued, and on hand. All receipt books not in-service are kept in a locked cabinet in the Activity Center Office Work Room.

3. Separate Cash Register Drawers

This correction action is complete. Our Interim Coordinator of Administrative Operations – Reba Berry, spoke with the internal auditor and we have determined that separate cash drawers would be unnecessary if only one person was operating the cash register during a prescribed amount of time. When the "shift change" occurs, the funds are to be accounted for and the next person takes over. Appropriate segregation of duties, in that the person completing the deposit is not the person operating

the cash register, has occurred. Cash register tapes are reconciled on a daily basis to the deposit slip before it is taken to La Capitol Bank. The journal rolls of the cash register tape have been placed in a locked cabinet within the Activity Center work room.

4. Segregation of Duties

This correction action is complete. Segregation of cash register operation and deposit preparation and reconciling the deposit prior to transport to the La Capitol Bank has been accomplished and are detailed in the Department of Recreational Services Policies and Procedures for Cash Handling document.

5. Independent Reconciliations

This correction action is complete. Another person other than the preparer is reviewing the deposit prior to the transport to La Capitol Bank. Departmental deposit slips are being reviewed on a regular basis and reconciled to the respective line items in banner.

6. Recordkeeping

This correction action is complete. Departmental deposit slips are being reviewed for completeness and accuracy and the reviewer signs and makes notes on the departmental deposit slips. The Department Head is reviewing departmental deposit slips on a regular basis as well.

7. Timely Deposits

This correction action is complete. Deposits are being made daily. All professional staff members have received the policies and procedures for cash handling and have been in a staff meeting where the particulars associated with this have been discussed in detail. Signed copies of the cash handling policies and procedures are in the possession of the Director of Recreational Services.

Warhawk Express card readers have been installed and are available for use. Renewal letters to Activity Center Participants have been prepared and mailed. These renewal letters encouraged participants to make payment with a check and informed them that cash membership renewals were to be paid at the La Capitol Bank.

8. Written Policies and Procedures

This correction action is complete. The Department of Recreational Services Policies and Procedures for Cash Handling is complete. Copies of the policy have been made and will be distributed to all the full time professional staff, student office staff and student supervisors.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Wayne Brumfield". The signature is fluid and cursive, with the first name "W." and last name "Brumfield" clearly distinguishable.

W. Wayne Brumfield, Ph.D.
Vice President for Student Affairs