

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



MANAGEMENT LETTER  
ISSUED JANUARY 4, 2012

**LOUISIANA 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 office 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. Two copies of this public document were produced at an approximate cost of \$8.52. 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](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3611 or Report ID No. 80110061 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

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Our procedures at the University of Louisiana at Lafayette (university) for the period July 1, 2010, through June 30, 2011, disclosed the following:

- The university's Parking and Transit Department did not have adequate controls to prevent or detect the theft of funds. Based on the work performed by the university's Police Department and internal auditor, theft of funds totaling over \$87,000 was identified, which occurred during the period of October 2009 through May 2011. The university has identified another theft that occurred in March 2011, which is currently under investigation by university police.
- Eligible students were not provided Academic Competitiveness Grants and National Science and Mathematics Access to Retain Talent Grants funds totaling \$995,000 by the end of the academic term/semester as required by federal regulations.
- The university did not maintain sufficient control over the Federal Direct Student Loans program to ensure funds were returned no later than 45 days after the institution determined the student withdrew. As a result, the university did not timely return \$9,492 to the U.S. Department of Education as required by federal program regulations.
- The university did not calculate the return of Title IV funds correctly to ensure that compliance requirements were followed for the Federal Pell Grant Program and Federal Direct Student Loans program resulting in payment errors to 64 students.
- Other than the findings previously noted, no significant control deficiencies, errors, or noncompliance relating to investments, notes receivable, capital assets, accounts payable and accruals, deferred revenues, compensated absences, bonds payable, other postemployment benefits, net assets, revenues, educational and general expenses, and auxiliary expenses were identified.
- No significant control deficiencies or noncompliance that would require reporting under Office of Management and Budget Circular A-133 for the federal program State Fiscal Stabilization Fund - Education State Grants, Recovery Act for the year ended June 30, 2011, were identified.

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.

## **Statement of Purpose**

The University of Louisiana at Lafayette, the largest member of the University of Louisiana System, is a public institution of higher education offering bachelor's, master's, and doctoral degrees. Within the Carnegie classification, the university is designated as a Research University with high research activity. The university's academic programs are administered by the B. I. Moody III College of Business Administration, the Ray P. Authement College of Sciences, the Colleges of the Arts, Education, Engineering, General Studies, Liberal Arts, Nursing & Allied Health Professions, and the Graduate School. The university is dedicated to achieving excellence in undergraduate and graduate education, in research, and in public service. For undergraduate education, this commitment implies a fundamental subscription to general education, rooted in the primacy of the traditional liberal arts and sciences as the core around which all curricula are developed. The graduate programs seek to develop scholars who will variously advance knowledge, cultivate aesthetic sensibility, and improve the material conditions of humankind. The university reaffirms its historic commitment to diversity and integration. Thus, through instruction, research, and service, the university promotes regional economic and cultural development, explores solutions to national and world issues, and advances its reputation among its peers.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 7, 2011

**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, 2011, we conducted certain procedures at University of Louisiana at Lafayette (university) for the period from July 1, 2010, through June 30, 2011.

- Our auditors obtained and documented a basic 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 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 finding identified in the prior year engagement. In our prior year report on the university, dated February 4, 2011, we reported a finding related to untimely federal reporting. The finding has 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, accounts and notes receivable, capital assets, accounts payable and accruals, deferred revenues, compensated absences, bonds payable, other postemployment benefits, 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, American Recovery and Reinvestment Act 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, 2011.

- 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 Student Financial Aid Cluster and State Fiscal Stabilization Fund - Education State Grants, Recovery Act (CFDA 84.394) for the fiscal year ended June 30, 2011, 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, 2011.

### **Misappropriation of University Funds**

The university Parking and Transit Department did not have adequate controls to prevent or detect the theft of funds. On May 12, 2011, the internal auditor at the university notified the Louisiana Legislative Auditor of theft of university funds by a Parking and Transit employee. Based on the work performed by the university's Police Department and internal auditor, theft of funds totaling over \$87,000 was identified, which occurred during October 2009 through May 2011.

Louisiana Revised Statute (R.S.) 14:67(A) defines theft as the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. Good internal controls should include segregation of duties of cash handling and deposit and should include an independent reconciliation of Parking and Transit deposit records made to the general ledger system to ensure all monies were properly deposited.

The Parking and Transit accountant counted the money, prepared deposit documentation, and brought the deposit to the departmental cashiers. Once a deposit was made with the cashiers, for a lower amount than was collected by Parking and Transit, the accountant would alter the receipt documentation to coincide with the Parking and Transit records. In some instances, no deposits were made with the cashiers while Parking and Transit records showed funds were collected. In addition, no reconciliation was done to verify the deposited amount per the general ledger system to the Parking and Transit records. Based on the work performed by the university's Police Department and the internal auditor, a warrant was issued for the arrest of the university's Parking and Transit accountant for violating R.S. 14:67. The university terminated the accountant on May 13, 2011.

Management should strengthen controls over Parking and Transit deposits to ensure duties are segregated for cash handling and depositing funds and should develop controls to ensure all deposits made according to the Parking and Transit records agree to the general ledger. In addition, management should seek restitution from the former accountant and the Office of Risk Management (Public Employees Blanket Bond). Management concurred with the finding and provided a corrective action. Management also noted that the university has identified additional discrepancies that occurred within the Parking and Transit department, which are currently under investigation by university police (see Appendix A, pages 1-2).

#### **Weakness Over Timely Disbursements of Federal Financial Assistance**

The university did not maintain sufficient controls over the Academic Competitiveness Grants (ACG) (CFDA 84.375) and National Science and Mathematics Access to Retain Talent (SMART) Grants (CFDA 84.376) to disburse grant funds in a timely manner. As a result, eligible students were not provided funds by the end of the academic term/semester as required by the U.S. Code of Federal Regulations (CFR) Title 34, Chapter VI, Part 668.164(b).

As of April 2011, students were awarded over \$995,000 in ACG and SMART funds during the fall 2010 and spring 2011 semesters. Testing revealed that these funds were disbursed July 15, 2011, seven months after the end of the fall 2010 semester and two months after the spring 2011 semester. Failure to disburse funds in a timely manner results in noncompliance with federal regulations.

Management should ensure that ACG and SMART funds are disbursed timely to or on behalf of eligible students in compliance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

### **Weakness Over Return of Federal Direct Student Loans Program Funds**

The university did not maintain sufficient controls over the Federal Direct Student Loans program (CFDA 84.268) to ensure funds are returned timely when a student withdraws. CFR Title 34, Chapter VI, Part 668.22(j) states that unearned funds must be returned no later than 45 days after the institution determined the student withdrew.

For six (67%) of nine students tested, university personnel did not ensure the return of funds information was entered timely into the Common Origination and Disbursement System (COD) and, therefore, did not initiate the return of funds until 46 to 94 days after the reported date of determination of the student's withdrawal for an average of 63 days late. As a result, the university did not timely return \$9,492 to the U.S. Department of Education as required by federal program regulations. Failure to return Title IV funds timely results in noncompliance with federal regulations.

Management should follow established procedures to ensure that Title IV funds are returned within the time required by federal program regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

### **Weakness in Calculation of Return of Title IV Funds**

The university did not calculate the return of Title IV funds correctly to ensure requirements were followed for the Federal Pell Grant Program (CFDA 84.063) and the Federal Direct Student Loans program (CFDA 84.268).

Procedures performed revealed that an error was made by the university in subtracting out the institutionally scheduled breaks from the "total days" calculation for the spring 2011 semester. As a result, 106 calendar days were used in the calculation rather than 101 days. Every return of Title IV funds calculation completed for the spring 2011 semester was incorrectly calculated. University personnel determined that for the Federal Pell Grant Program, 18 students were underpaid \$415 while two students were overpaid \$98, and for the Federal Direct Student Loans program, 32 students were underpaid \$1,317 while 12 students were overpaid \$1,327.

CFR Title 34, Chapter 668 sets requirements over the return of Title IV or loan assistance funds. Failure to correctly compute return of Title IV funds results in noncompliance with federal regulations and causes inaccurate payments to the Department of Education or to financial aid students.

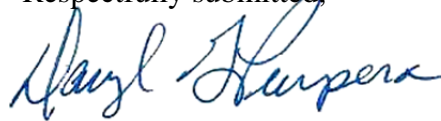
Management should strengthen its review procedures over determining the "total days" used in calculating the return of Title IV funds to ensure compliance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).



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

LBL:BH:EFS:THC:dl

ULL 2011

## Appendix A

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



November 22, 2011

Université des Acadiens

Mr. Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Re: Misappropriation of University Funds

The University of Louisiana at Lafayette concurs with the above referenced finding and has established the following corrective action plan to address this finding:

- Immediately upon learning from the internal auditor of possible discrepancies in the Parking and Transit deposits, the President ordered that the University Police Department be notified and an investigation initiated. The results of their investigation led to the arrest and subsequent termination of the Parking and Transit accountant.
- On May 17, 2011, the Vice President for Administration and Finance disseminated the following directive to all department heads:

University departments in a funds handling capacity should be committed to strong internal controls over cash receipts to prevent the mishandling of funds and to safeguard against loss. Separation of duties is essential to internal control.

Effective immediately, for all departmental deposits, the individual preparing the cash receipt voucher deposit should not be the individual taking the deposit to Martin Hall. The department head or the individual designated by the department head with transporting the deposit should ensure that the cash receipts voucher equals the supporting documentation retained in the department. The department head or his designee should reconcile on a regular basis (at least monthly) the cash receipts voucher deposit slips to the online statements of account. **This would detect data entry errors in the accounting system as well as employee theft.**

- The University also created a new position for a Funds Handling Compliance Accountant, whose duties include the following:

Dr. Daryl Purpera  
Page 2  
November 22, 2011

The Funds Handling Compliance Accountant reviews cash collection areas throughout the University. The Funds Handling Compliance Accountant also advises departments and cashiers of cash handling policies and procedures and conducts periodic reviews of procedures.

This position was filled on August 1, 2011 and reports to the Vice President for Administration and Finance.

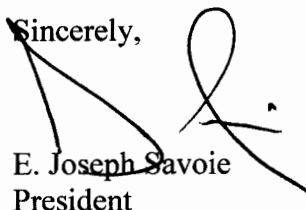
- In addition, on May 23, 2011, the University immediately began the process of creating a classified position for an Auditor 1 in Parking and Transit that is to report directly to the President for the processing of cash and currency transactions. This position is responsible for maintenance and examination of all financial documents, inspection of all cash records and performing operational audits to confirm and maintain effectiveness and efficiency in Parking and Transit.
- Parking and Transit staff are also being trained on proper internal controls over funds handling. And alternative parking collection methods are currently being researched, including a parking system that only accepts credit/debit cards or the Cajun Card.

The university has received \$86,573 from an insurance claim on our blanket bond with the Office of Risk Management (ORM). This amount represents the estimated theft of funds less a \$1,000 deductible. The former Parking and Transit accountant has pled guilty and is awaiting sentencing. Restitution will be pursued and any restitution received will be reimbursed to ORM except for the \$1,000 deductible.

We feel that these procedures will strengthen internal controls over not only the Parking and Transit Department but all departments who handle revenue collections. As of the date of this response, the Legislative Auditor has been notified that the university has uncovered additional discrepancies which occurred in March 2011 discovered by the Funds Handling Compliance Accountant. This matter is currently under investigation by University Police.

Should you require additional information, please contact me at (337) 482-6203.

Sincerely,



E. Joseph Savoie  
President



2011 SEP 23 AM 8:57

September 20, 2011

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 2010-2011 audit finding of "Weakness Over Timely Disbursement of Federal Financial Assistance".

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.

The implementation of the Direct Loan Program for the 2010-2011 year consumed more of our financial aid and information technology personnel resources than we anticipated. We were also limited on what we could process electronically due to constraints on all years in the Student Aid Management System (SAM). We have been in constant contact with our software provider to make sure we are following the proper job streams to remain in compliance with Federal Regulations. The University has also committed to bringing in the software provider to review our processes for accuracy and efficiency and has added an additional programmer to the IT staff to assist the financial aid office. We anticipate the position to be filled by January, 2012.

Sincerely,

Cindy S. Perez  
Financial Aid Director

E. Joseph Savoie  
President



September 20, 2011

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 2010-2011 audit finding of "Weakness Over 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.

The implementation of the Direct Loan Program for the 2010-2011 year consumed more of our financial aid and information technology personnel resources than we anticipated. We were also limited on what we could process electronically due to constraints on all years in the Student Aid Management System (SAM). We have been in constant contact with our software provider to make sure we are following the proper job streams to remain in compliance with Federal Regulations. The University has also committed to bringing in the software provider to review our processes for accuracy and efficiency. The University has added an additional programmer to the IT staff to assist the financial aid office. We anticipate the position to be filled by January , 2012.

Sincerely,

Cindy S. Perez  
Financial Aid Director

E. Joseph Savoie  
President



November 21, 2011

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

Dear Mr. Purpera:

Please find below our management response to the FY 2010-2011 audit finding of "Weakness in Calculation of Return of Title IV 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.

Effective immediately we have revised the form that must be completed at the beginning of each semester to calculate the number of days, scheduled breaks, mid-point and the 60% point that are to be used for Return to Title IV calculations. The form now has a copy of the applicable pages of the Federal Student Aid Handbook attached to it that clarifies what breaks are to be excluded from the computation. Once this form is completed, it must be submitted to the Financial Aid Director along with a copy of the semester calendar for approval. Once approved by the Financial Aid Director, the information is to be input on the Department of Education Return to Title IV website.

Sincerely,

Cindy S. Perez  
Financial Aid Director

E. Joseph Savoie  
President