

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



MANAGEMENT LETTER
ISSUED APRIL 29, 2009

**LEGISLATIVE AUDITOR
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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. Six copies of this public document were produced at an approximate cost of \$16.86. 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. 3611 or Report ID No. 80080083 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 31, 2009

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2008, we considered the University of Louisiana at Lafayette's (UL Lafayette) 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 the UL Lafayette'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 program as required by U.S. Office of Management and Budget Circular A-133.

The annual financial information provided to the University of Louisiana System by UL Lafayette 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 University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the UL Lafayette for the year ended June 30, 2007, we reported findings related to misappropriation of university funds and unlocated movable property. These findings have been resolved by management.

Based on 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* have also been included in the State of Louisiana's Single Audit Report for the year ended June 30, 2008.

Weakness in Collection Procedures Over Defaulted Loans

UL Lafayette did not perform certain collection procedures required by federal regulations over its defaulted loans for the Perkins Loan Program (CFDA 84.038). The Code of Federal Regulations [Title 34, Part 674.45(c)(1)] requires an institution to refer

the loan account of a defaulted borrower to a collection firm after it pursues collection activity for up to 12 months and is unsuccessful in converting the loan account to regular payment status.

Procedures performed on five defaulted loans revealed that for four (80%) of the defaulted loans, UL Lafayette was unsuccessful in converting the loan account to regular payment status after 12 months and did not refer the loans to a collection firm. The fifth defaulted loan was submitted to the collection firm untimely. UL Lafayette was unsuccessful in converting that loan account to regular payment status after 12 months and it should have been sent to a collection firm in October 2006. However, the loan was not referred to a collection firm until November 2008.

UL Lafayette does not have procedures in place to identify those loans that fail, which should be converted to regular repayment status 12 months after collection procedures are implemented. In addition, UL Lafayette did not refer any defaulted loans to a collection agency from June 2005 to November 2008. Failure to implement proper collection procedures increases the risk that UL Lafayette will not collect funds owed back to the university from the defaulted borrowers and could result in noncompliance with federal regulations.

Management should implement procedures over its defaulted loans in the Perkins Loan Program to ensure compliance with federal regulations. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Failure to Provide Proper Loan Notice

UL Lafayette did not have procedures to provide notice each time a student's account is credited with Federal Family Education Loans (FFEL, CFDA 84.032) and Federal Perkins Loan Program - Federal Capital Contributions (FPL, CFDA 84.038). The Code of Federal Regulations [Title 34, Part 668.165(a)(2)] requires the institution to notify the student or parent of the anticipated date and amount of disbursement and the student's or parent's right to cancel all or a portion of the loan and have the loan proceeds returned to the holder of that loan when the institution credits a student's account at the institution with FFEL or FPL. In addition, the Code of Federal Regulations [Title 34, Part 668.165(a)(3)(i)] requires the notification to be provided no earlier than 30 days before and no later than 30 days after crediting the student's account at the institution.

For 13 students tested, UL Lafayette did not provide the student or parent with the required notification each time the student's account was credited with FFEL or FPL funds. As a result of not notifying the student or parent timely, UL Lafayette is in noncompliance with federal regulations.

Management should comply with federal regulations for timely loan notices to students or parents. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Untimely and Inaccurate Federal Reporting

UL Lafayette did not report Federal Pell Grant Program (CFDA 84.063) disbursement data to the U.S. Department of Education (USDOE) through the Common Origination and Disbursement System (COD) timely and did not ensure that tuition and fees reported on the Fiscal Operations Report and Application to Participate (FISAP) were accurate. The Federal Register Vol. 73 No. 111 requires an institution to submit Pell disbursement records to COD no later than 30 days after making a Federal Pell Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant disbursement. To apply for and receive funds from the USDOE for the campus-based programs [FFEL, (CFDA 84.032); Federal Work-Study Program (CFDA 84.033); and Federal Supplemental Educational Opportunity Grants (CFDA 84.007)], a school must submit a FISAP for each award year. Volume 6, Chapter 1 of the *Federal Student Aid Handbook* requires information reported on the FISAP to be accurate and verifiable.

- For 11 of 24 (46%) transactions reviewed, UL Lafayette did not report Pell data to COD within 30 days after making a Federal Pell Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant disbursement. Nine transactions were reported five to 37 days late; one transaction was reported 62 days late; and one transaction was reported 181 days late.
- In Part II - Line 22 of the FISAP submitted on September 28, 2007, the tuition and fees amount was understated by \$2,394,605. UL Lafayette excluded inter-session tuition and fees, the student union fee, and the student technology fee.

Data was not consistently entered into the Student Aid Management System, which is used to report payment data to COD. In addition, reports used by UL Lafayette to prepare the FISAP were not agreed to UL Lafayette's financial information to ensure the reports were accurate and complete. Failure to report financial data to USDOE timely and accurately results in noncompliance with federal regulations.

Management should strengthen procedures to ensure that data is reported to USDOE timely and accurately to comply with federal regulations. Management concurred with the finding 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 improvements 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 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 University of Louisiana 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,



Steve J. Theriot, CPA
Legislative Auditor

DLC:BH:EFS:PEP:dl

ULL08

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



February 17, 2009

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

Dear Mr. Theriot:

Please find below our management response to the FY 2007-2008 audit finding of "Weakness in Collection Procedures Over Defaulted Loans".

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, the University implemented procedures to ensure that once due diligence has been performed on defaulted Perkins Student Loans with no success, the defaulted loans will be referred to a collection firm within the prescribed time to remain in compliance with federal regulations.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President



February 17, 2009

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

Dear Mr. Theriot:

Please find below our management response to the FY 2007-2008 audit finding of "Failure to Provide Proper Loan Notice".

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 University has begun to implement procedures and computer programs to create notification of loan disbursements and the borrower's right to cancel all or a portion of the loan proceeds. Full implementation is expected to be April 1, 2009.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President



February 12, 2009

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

Dear Mr. Theriot:

Please find below our management response to the FY 2007-2008 audit finding of "Untimely and Inaccurate Federal Reporting".

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 Pell Grant Changes are updated on the Student Aid Management (SAM) System when a student's Pell Grant is adjusted on ISIS. A comparison of SAM and ISIS will be run monthly to reconcile the two different systems. Pell Data will be reported to COD every 25 days.

Effective immediately the program used to calculate the tuition and fees amount for the FISAP has been corrected to include all tuition and fees for the fiscal year.

Sincerely,

Cindy S. Perez
Financial Aid Director

E. Joseph Savoie
President