

UNIVERSITY OF LOUISIANA AT MONROE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED JANUARY 10, 2007

**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. Eight copies of this public document were produced at an approximate cost of \$19.44. 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.state.la.us. When contacting the office, you may refer to Agency ID No. 3495 or Report ID No. 06501828 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 Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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December 14, 2006

UNIVERSITY OF LOUISIANA AT MONROE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Monroe, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2006, we considered the University of Louisiana at Monroe'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 the University of Louisiana at Monroe'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 the University of Louisiana at Monroe 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.

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, 2006.

Unlocated Movable Property

The University of Louisiana at Monroe (ULM) identified unlocated movable property items totaling \$578,615 as a result of physical inventory procedures. Of that amount, items totaling \$135,439 were removed from the property records because they had not been located for three consecutive years and \$60,951 are scheduled to be removed if not found within the next year. Of the unlocated property reported on ULM's physical inventory certification, the amount of unlocated computers and computer-related equipment totaled \$380,793 and the amount of lab and network equipment totaled

\$131,866. In addition, a late additions report was generated from the Protégé system of the Louisiana Property Assistance Agency (LPAA) for fiscal years 2005 and 2006. The report indicated 36 items totaling \$139,165 that were tagged and reported from 3 to 1,893 days after the required 60-day reporting period. Also, movable property was not timely reported to the university's property control manager and included on the university's movable property listing, based on the results of an internal audit report titled "Review of Farm Operations" dated August 27, 2004.

Louisiana Revised Statute (R.S.) 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to LPAA. Louisiana Administrative Code (LAC) 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. ULM's certification of annual property inventory, submitted to LPAA on July 6, 2005, disclosed \$27,209,194 in total movable property.

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

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

Management of ULM should enforce and consistently apply its existing policies and procedures for reporting movable property acquisitions timely, 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 ULM personnel to immediately respond to the property control manager'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 recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

**Failure to Make Immediate Notification
of Misappropriated Assets**

ULM failed to immediately notify the legislative auditor and Ouachita Parish District Attorney of seven thefts of state property costing \$6,321. R.S. 24:523 states, an agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation. A review of university police reports and the university property control manager's records for fiscal years ending June 30, 2005 and 2006 revealed seven thefts, six on campus and one off campus, that were not immediately reported to the legislative auditor and Ouachita Parish District Attorney. The property control manager received notice of the thefts from 33 to 582 days after the thefts occurred. However, university personnel failed to promptly notify the president of the thefts so he could make the required notifications. Our representatives informed management in March 2006 that the thefts had not been reported to the legislative auditor or the district attorney and the university president promptly submitted the required notifications. However, the notifications were made from 192 to 585 days after the thefts occurred.

The university has informal procedures for reporting misappropriations of public funds or assets that are vague and do not clearly define lines of responsibility for reporting misappropriations to the president in a timely manner. As a result, the university is in violation of state law. Furthermore, the delay in notifying the president of the number and type of funds or assets misappropriated could subject other assets or critical information to an increased risk or loss.

ULM should develop and implement formal written policies and procedures for immediately notifying the president of any misappropriation of funds or assets. The policies and procedures must include clear lines of responsibility for the timely reporting of all misappropriated funds or assets to the president. The timely reporting will allow the president to make the required notifications and allow him the opportunity to take any other corrective action he deems appropriate to safeguard other funds, assets, or critical information. Management concurred with the finding and recommendations 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. Findings relating 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,



Steve J. Theriot, CPA
Legislative Auditor

GWE:WJR:THC:ss

[ULM06]

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

UNIVERSITY OF LOUISIANA

MONROE

July 27, 2006

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

RE: Unlocated Movable Property

Dear Mr. Theriot:

The University is in receipt of a letter from your office regarding unlocated movable property. We concur with your observations and recommendations, and believe that we have implemented, or are implementing, sufficient corrective actions to ensure (1) the timely reporting of movable property acquisitions, (2) tracking the movement of tagged property items, and (3) compliance with all other applicable requirements of the Louisiana Property Assistance Agency.

As discussed with your staff, during fiscal year 2005/06 the University made substantial investments to increase our building security and safeguard and track university assets. Preemptive actions taken include:

- Fitting 17 academic buildings with after-hours controlled access points. Each controlled entry records the date, time and ID card number used to access the building. In addition, door status is constantly monitored for alarm conditions, such as doors held or blocked open, by the University Police Department. This project is 80% complete with a completion date of 8/18/06.
- Replacing exterior door lock on all major campus buildings. Mechanical keys will not be issued for these locks, with authorized entry gained only at electronic control points. This project is 85% complete.
- Installing video surveillance cameras at all entry and exit points of the Administration Building; classrooms that contain advanced, expensive teaching equipment; and computer labs across campus. This surveillance equipment will deter theft, vandalism, and other unauthorized movement of property.
- Purchasing and implementing handheld asset barcode tag scanners to locate assets, verify location and movement of property, perform periodic audits, and complete annual inventory certification. This system is fully integrated with LPAA's Protégé Asset Management System.

Office of the President • 700 University Ave. • Monroe, LA 71209-3000

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A Member of the University of Louisiana System • AA/EOE

Mr. Steve J. Theriot, CPA

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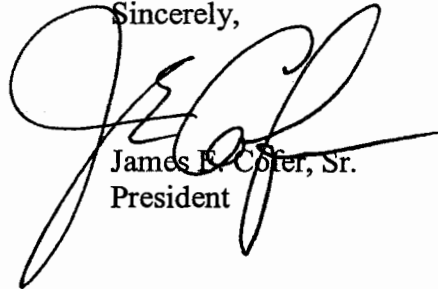
July 27, 2006

Prior to the FY 2005/06 annual movable property physical inventory, I also directed all Vice Presidents to review the discrepancy reports of each of their operating units, and to devote additional efforts to locate movable property previously reported as unlocated. In July 2005 the University adopted expanded Property Control Policy and Procedures. This policy will be expanded to provide that any unlocated property will result in reduced funding to that budget unit in the future. Further, the University has included a review of movable property inventory in our FY 06/07 internal audit plan.

Mr. Chris Ringo, Assistant Physical Plant Director, is responsible for policy compliance and monitoring corrective actions.

Please let me know if we may provide any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Cofer', written over the typed name and title.

James E. Cofer, Sr.
President

UNIVERSITY OF LOUISIANA MONROE

July 18, 2006

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

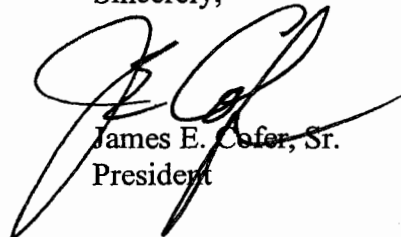
Re: Failure to Make Immediate Notification of Misappropriated Assets

Dear Mr. Theriot:

The University is in receipt of a letter dated July 6, 2006, indicating a reportable audit finding relating to the University's failure to immediately notify the Legislative Auditor and the local District Attorney of seven thefts of state property totaling \$6,321 during the fiscal years ending June 30, 2005 and 2006. The University concurs with this finding. However, five of the seven exceptions (ranging from \$20 to \$845) resulted from the University's understanding of the dollar threshold for reporting these thefts. While incident reports were prepared timely, the University Police Department understood that the threshold for reporting thefts to the president was \$1,000, as LPAA does not require reporting the thefts of items less than \$1,000, and items with an acquisition cost of less than \$1,000 are not tagged.

The finding recommends that the University develop and implement formal written policies and procedures to immediately notify the president of any misappropriation of funds or assets. The University has already strengthened and implemented formal written procedures to clarify its policy and ensure the immediate reporting of any misappropriation of University assets, regardless of the dollar amount and the location of the theft, to allow the president to make the required notifications. I have also informed members of the President's Cabinet of the necessity to ensure compliance with this policy. Mr. Chris Ringo, Assistant Physical Plant Director, is responsible for ensuring compliance with this policy.

Sincerely,



James E. Cofer, Sr.
President