

UNIVERSITY OF LOUISIANA AT MONROE  
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED NOVEMBER 21, 2018

**LOUISIANA LEGISLATIVE AUDITOR  
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POST OFFICE BOX 94397  
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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

University of Louisiana at Monroe



November 2018

Audit Control # 80180105

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## Introduction

As a part of our audit of the University of Louisiana System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2018, we performed procedures at the University of Louisiana at Monroe (ULM) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of ULM's internal controls over financial reporting and compliance; and determine whether ULM complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior report.

## Results of Our Procedures

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### Follow-up on Prior-report Findings

Our auditors reviewed the status of the prior-report findings disclosed in the ULM management letter dated December 14, 2016. We determined that management has resolved the prior-report findings related to Inadequate Control over Athletic Travel Expenditures and Athletic Ticket Sales Revenues.

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### Current-report Finding

#### Employees' Time Worked Not Approved by Supervisors

ULM paid \$62,532 of salaries to 12 employees who electronically approved their own time records without a supervisor certifying the employees' time worked. This occurred for 16 pay periods during the period October 1, 2017, through June 30, 2018, ranging from one to seven instances by an employee. There is an increased risk for payroll errors or fraud to occur and not be detected timely.

As of October 1, 2017, the University began using a new, web-based time entry system and established certain employees as proxies to electronically approve their own time worked during their supervisors' absence. University of Louisiana System policy requires that attendance and leave records be signed by the employee and supervisor. Also, good internal control requires

that transactions be reviewed and approved by the appropriate supervisor prior to the information being entered or finalized in the accounting system and payroll is disbursed.

University management should revise its timekeeping policies and procedures to ensure time worked by each employee in a pay period is certified by a responsible supervisor before making salary payments. Management concurred with the finding and represented that approval will be required from the supervisor in writing for employees identified by the system as approving their own time sheets (see Appendix A).

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## **Financial Statements - University of Louisiana System**

As a part of our audit of the System's financial statements for the year ended June 30, 2018, we considered ULM's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

### **Statement of Net Position**

**Assets** - Cash and Cash Equivalents, Investments, Due from State Treasury, Capital Assets  
**Net Position** - Net Investment in Capital Assets, Restricted – Nonexpendable, Restricted – Expendable, and Unrestricted

### **Statement of Revenues, Expenses, and Changes in Net Position**

**Revenues** - Student Tuition and Fees net of Scholarship Allowances, Auxiliary Revenues, State Appropriations, and Federal Nonoperating Revenues  
**Expenses** - Educational and General, and Auxiliary Enterprises

Based on the results of these procedures on the financial statements, we reported a finding related to Employees' Time Worked Not Approved by Supervisors, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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## **Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2018, we performed procedures as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on information submitted by ULM to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA).

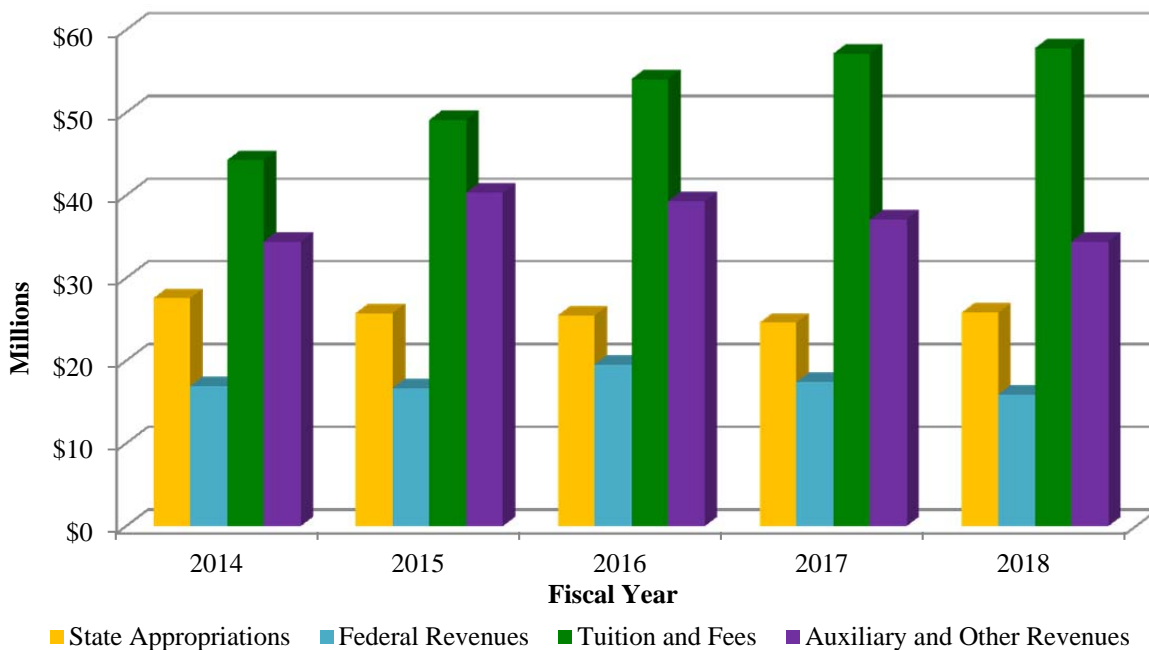
Based on the results of these Single Audit procedures, ULM's information submitted for the preparation of the state's SEFA was materially correct.

## Trend Analysis

We compared the most current and prior-year financial activity using ULM’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from ULM’s management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

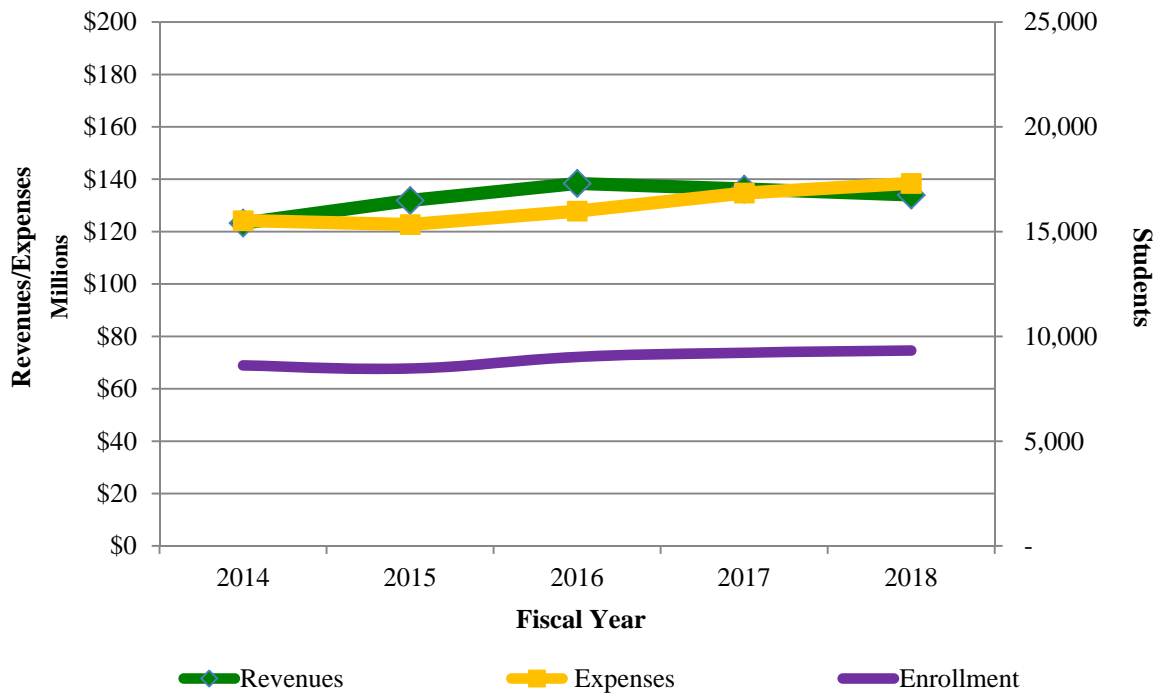
In analyzing financial trends of ULM over the past five fiscal years, state appropriations have stabilized after years of significant reductions. Tuition and fee revenues continue to increase mainly driven by increases in enrollment and rate increases allowed by the GRAD Act (Act 741 of the 2010 Regular Session of the Louisiana Legislature) and Act 196 of the 2011 Regular Session of the Louisiana Legislature. Total expenses were in line with revenues in fiscal year 2017. However, expenses exceeded total revenues in fiscal year 2018, which directly related to an increase in scholarships awarded and a decrease in capital appropriations revenue after the completion of the Sandel Hall renovation project.

**Exhibit 1**  
**Five-Year Revenue Trend**



**Source:** Fiscal Year 2014-2018 ULM Annual Fiscal Reports, as adjusted

**Exhibit 2  
Fiscal/Enrollment Trends**



**Source:** Fiscal Year 2014-2018 ULM Annual Fiscal Reports, as adjusted and Board of Regents website

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Thomas H. Cole, CPA  
First Assistant Legislative Auditor

KVL:BAC:BH:EFS:aa

ULM2018

## **APPENDIX A: MANAGEMENT'S RESPONSE**







## Office of Business Affairs

Library Suite 623

700 University Avenue | Monroe, LA 71209

P 318.342.1961

October 22, 2018

Mr. Daryl G. Purpera, CPA  
Legislative Auditor  
1600 Third Street  
Baton Rouge, LA 70804-9397

RE: Audit Finding – Employees' Time Worked Not Approved by Supervisors  
The University concurs with this finding, but notes several items related to the finding as follows:

1. The referenced time entry system is new and was fully implemented in October 2017. We believe that it is an improvement to our previous system, but this period was a transition in which the entire process has been redefined. Over 24,000 timesheets were processed during this period without issue. This issue involved only 28 timesheets.
2. The finding references \$62,532 of salaries being paid to employees that approved their own timesheets. All of the employees paid are salaried and were due the amounts paid. No one received payments that they should not have and no funds were misappropriated. During the period October 1, 2017 through June 30, 2018, over \$46 million of employee pay was processed without issue.
3. Approved leave requests are on file for the employees in question who used leave during these periods.
4. This finding involves employees that are set up as proxies in the new system. They are granted authority to approve timesheets in the absence of a supervisor. A system is in place to identify any employee that approves their own timesheet and approval will be required from the supervisor in writing. We believe this issue to be immaterial especially when you consider a new system was being put in place.

Corrective Action: None Required  
Anticipated Completion Date: Has been addressed

Sincerely,

Bill Graves, PhD  
Vice President for Business Affairs

# #TAKEFLIGHT

ULM is a member of the University of Louisiana System • AA/EOE



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Monroe (ULM) for the period from July 1, 2016, through June 30, 2018, to provide assurances on financial information significant to the University of Louisiana System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2018.

- We evaluated ULM's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to ULM.
- Based on the documentation of ULM's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2018, as a part of the 2018 Single Audit.
- We compared the most current and prior-year financial activity using ULM's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from ULM's management for significant variances.

The purpose of this report is solely to describe the scope of our work at ULM and not to provide an opinion on the effectiveness of ULM's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review ULM's Annual Fiscal Reports, and accordingly, we do not express opinions on those reports. ULM's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.