

# UNIVERSITY OF LOUISIANA AT LAFAYETTE

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

**Management Letter**  
**Issued March 20, 2024**

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
MICHAEL J. "MIKE" WAGUESPACK, CPA

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
BETH Q. DAVIS, CPA

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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

University of Louisiana at Lafayette



March 2024

Audit Control # 80230066

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## Introduction

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As a part of our audit of the University of Louisiana System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2023, we performed procedures at the University of Louisiana at Lafayette (UL Lafayette) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of UL Lafayette's internal controls over financial reporting and compliance; and determine whether UL Lafayette complied with applicable laws and regulations.

We also determined whether management has taken actions to correct the findings reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the UL Lafayette management letter dated March 27, 2023. We determined that management has resolved the prior-year finding related to Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security. The prior-year findings related to Untimely Billing Related to Grant and Contract Agreements; Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards; and Noncompliance with Subrecipient Monitoring Requirements have not been resolved and are addressed again in this letter.

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### Current-year Findings

#### Untimely Billing Related to Grant and Contract Agreements

For the second consecutive year, UL Lafayette did not bill for federal, state, local, and nongovernmental grants and contracts revenue timely in accordance with contract terms and internal policy.

We sampled 32 federal, state, local, and nongovernmental grants and contracts revenue transactions recorded between July 1, 2022, and June 30, 2023, and traced the transactions to their respective invoice/reimbursement requests. We noted five (15.6%) of the invoices selected were billed between 72 and 269 days (average of 182 days) late. In addition, three (9.4%) of these invoices included transactions for multiple billing periods.

Individual contracts and agreements require UL Lafayette to submit billings and supporting information within a specific time period. If the contract/grant award was silent as to the billing frequency, we used additional information gathered from UL Lafayette's approved Award Data Sheets which specify invoice frequency. Additionally, UL Lafayette's billing policies require that expenditure activity for federal, state, local and nongovernmental awards issued to UL Lafayette be reviewed for billing on a monthly basis.

Failure to bill timely causes noncompliance with the contract, agreement and/or internal policy. Additionally, untimely billing increases the risk that receivable accounts could become uncollectable. UL Lafayette management acknowledges that UL Lafayette policy states that the expenditure activity must be reviewed on a monthly basis and the billing policy specifies that expenditures must be reviewed on a monthly basis. However, management asserts that invoices are only late if the terms of the agreement contain specific guidelines and invoices are not submitted per those guidelines.

Management should ensure billings are submitted timely and in accordance with contract or agreement terms and UL Lafayette's internal policy. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

### **Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards**

For the third consecutive year, UL Lafayette did not have adequate controls in place to ensure personnel expenses charged to federal Research and Development (R&D) awards accurately reflected work performed. Inadequate controls related to federal documentation standards for personnel expenses could result in noncompliance with federal allowable costs and cost principles, as well as noncompliance with special tests and provisions related to key personnel effort.

From a population of 28,301 payroll and non-payroll expenses charged to R&D grants for the fiscal year ended June 30, 2023, a sample of 25 transactions were tested for compliance with allowable costs and cost principles requirements. For five (20%) of the transactions, UL Lafayette was unable to provide documentation to show that personnel related expenses, totaling \$612, were supported by time and effort certifications to ensure the accuracy of budget estimates charged to federal awards as required by federal regulations.

We reviewed 15 grant awards corresponding to the expense transactions selected and evaluated documentation to support the level of effort for each award and the 20 key personnel assigned to the selected awards. For 13 (65%) of the key personnel, UL Lafayette was unable to provide documentation that the key personnel complied with the effort required by the grant award.

UL Lafayette noted in its prior-year corrective action plan and in a draft effort reporting policy that certifications for employees charging time to federal awards would be required quarterly. For the fiscal year ended June 30, 2023, certifications were only requested in July 2023, after the fiscal year end, and were required to be returned within 30 days. Annual certifications are not sufficient to timely detect changes in key personnel effort and ensure prior approvals are obtained when applicable.

Management should strengthen internal controls to ensure that personnel expenses charged to the federal awards are supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. Additionally, management should revise the Time & Effort Certification policy or implement alternative controls designed to ensure compliance with Special Tests & Provisions requirements. Management should monitor changes in effort for key personnel and ensure that prior written approval is obtained from the federal grantor for changes that exceed the thresholds set in federal regulations. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-4).

### **Noncompliance with Subrecipient Monitoring Requirements**

For the third consecutive year, UL Lafayette did not adequately monitor subrecipients of the R&D Cluster programs. Failure to properly monitor subrecipients results in noncompliance with federal regulations and increases the likelihood of improper payments which may have to be returned to the federal awarding agency.

In a sample of seven subawards out of a population of 43 subawards, it was noted that for five (71.4%) of the subrecipients evaluated, UL Lafayette could not provide evidence that the financial and performance reports required by the subaward agreement were obtained and reviewed by UL Lafayette. For two (28.6%) of the subrecipients evaluated, the subaward documents did not contain the Assistance Listing number and/or the federal award date, as required by federal regulations.

UL Lafayette should strengthen controls to ensure that subaward documents contain all required information and that the required financial and performance reports are received and reviewed timely. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 5).

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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, 2023, we considered UL Lafayette's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

### Statement of Net Position

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

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

**Revenues** - Student Tuition and Fees net of Scholarship Allowances, Federal Grants and Contracts, State and Local Grants and Contracts, Nongovernmental Grants and Contracts, Auxiliary Revenues net of Scholarship Allowances, State Appropriations, and Federal Nonoperating Revenues  
**Expenses** - Educational and General, and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we reported a finding related to Untimely Billing Related to Grant and Contract Agreements, 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, 2023, we performed internal control and compliance testing 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 UL Lafayette's major federal program, Research and Development Cluster.

Those tests included evaluating the effectiveness of UL Lafayette's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether UL Lafayette complied with applicable program requirements. In addition, we performed certain procedures on information submitted by UL Lafayette 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) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards and Noncompliance with Subrecipient Monitoring Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2023. In addition, UL Lafayette's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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## Trend Analysis

We compared the most current and prior-year financial activity using UL Lafayette's Annual Fiscal Reports and/or system-generated reports and obtained explanations from UL Lafayette's management for any significant variances.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of UL Lafayette. The nature of the recommendations, their implementation costs, and their potential impact on the operations of UL Lafayette should be considered in reaching decisions on courses of action. The findings related to UL Lafayette's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

RE:RJM:JPT:BQD:aa

UL LAFAYETTE2023





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

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February 26, 2024

Mr. Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
1600 N. 3<sup>rd</sup> Street  
Baton Rouge, LA 70802

Dear Mr. Waguespack:

Please find below our management response to the audit finding “Untimely Billing Related to Grant and Contract.”

The University concurs with the finding results.

First and foremost, we acknowledge the importance of billing for federal, state, local, and nongovernmental grants, and contracts revenue in a timely manner, as per the terms outlined in our agreements and internal policies. We understand that timely billing not only ensures compliance with contractual obligations but also minimizes the risk of uncollectible receivables.

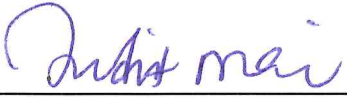
We recognize that there have been instances where invoices were not submitted within the stipulated timeframe. However, it's important to note that most of our invoicing practices are indeed in alignment with the guidelines provided by our funders. Our efforts are directed toward adhering to the terms and conditions set forth by each grant or contract.

Regarding the discrepancy between our internal policy calling for monthly reviews and the observed practice of following funder guidelines, we attribute this to resource constraints. Due to a shortage of staff the last couple of years, we have faced challenges in conducting monthly reviews of expenditure activity as mandated by our internal policy. In such cases, we have relied on the guidelines specified by our funders to ensure timely invoicing to the best of our ability.

Going forward, we are committed to enhancing our billing procedures and ensuring their alignment with our internal policies. While we recognize the significance of adhering to funder guidelines, we remain resolute in giving equal priority to compliance with our own policies. At present, we have substantially bolstered our staffing levels and are actively engaged in training our new personnel. Additionally, we are actively exploring strategies to optimize our internal workflow to facilitate monthly reviews and prompt billing.

The director of SPFAC will oversee this commitment.

Sincerely,



Judith Maina  
Director, SPFAC



Jerry Luke LeBlanc  
Vice President, Administration & Finance



Dr. E. Joseph Savoie  
President



February 14, 2024

Mr. Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
1600 N. 3<sup>rd</sup> Street  
Baton Rouge, LA 70802

Dear Mr. Waguespack:

Please find below our management response to the audit finding “Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards.”

The University concurs with the finding results.

As you may recall, FY 22’s finding prompted us to create an effort reporting policy and system in draft mode and tested it starting at the end of FY 22 and FY23.

This audit has brought to the attention of the office of Sponsored Programs Finance Administration and Compliance (SPFAC) that there are deficiencies in our adopted system, particularly in the generation of effort reports, which regrettably missed some key personnel and required information. Your identification of these shortcomings underscores the urgency of our need to enhance our internal controls and procedures to ensure compliance with federal regulations.

Regarding the draft policy calling for quarterly effort reports, we have carefully considered your recommendation and in light of our operational capacities have decided to proceed with an annual, calendar year (CY) reporting time frame. We believe that an annual reporting cycle aligns better with our current operational resources. We will ensure that this chosen reporting cycle is rigorously adhered to and supplemented with additional measures as needed to enhance accuracy and timeliness.

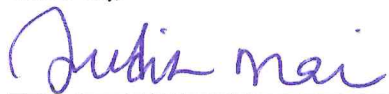
Moving forward, we are committed to the following actions to address the identified deficiencies:

1. **Enhancing Internal Controls:** We will review and strengthen our internal control framework to ensure that all required information is captured accurately and comprehensively in our effort reports.
2. **Annual Time & Effort Certification:** We will revise our Time & Effort Certification policy to reflect the decision to adopt an annual reporting time frame. This will involve refining our processes to ensure that annual certifications provide a thorough and accurate reflection of personnel effort on federal awards as required by federal regulations. The annual reports will be processed on a calendar year (CY) basis. To allow for a fresh start for CY 2024, the next effort reporting cycle will cover July 1, 2023, through December 31, 2023.
3. **Monitoring and Oversight:** We will establish robust monitoring mechanisms to track changes in personnel effort and ensure that any deviations from approved thresholds are promptly identified and addressed.

To further assist with correction of this finding, the University has engaged Ellucian Banner to apply the Effort Certification Module which is a systematic certification process for us to review, validate and certify the work effort performed by faculty and staff in support of sponsored research. The module is expected to go in test mode in 2024 and anticipated to go live in 2025.

The director of SPFAC will oversee the implementation of this action plan.

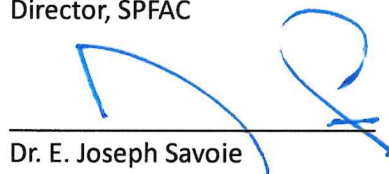
Sincerely,



Judith Maina  
Director, SPFAC



Jerry Luke LeBlanc  
Vice President, Administration & Finance



Dr. E. Joseph Savoie  
President



January 30, 2024

Micheal J. Waguespack, CPA  
Louisiana Legislative Auditor  
1600N. 3<sup>rd</sup> Street  
Baton Rouge, LA

Dear Mr. Waguespack.

Please find below our management response to the audit finding "Noncompliance with Subrecipient Monitoring Requirements".

The University concurs with the finding results that from a sample of seven subawards out of a population of 43 subawards, five (71.4%) of the subrecipients evaluated, the University could not provide evidence that the financial and performance reports required by the subaward agreement were obtained and reviewed, and two (28.6%) of the subrecipients evaluated, the subaward documents did not contain the Assistance Listing (AL) number and/or the federal award date, as required by federal regulations.

The Sponsored Programs Finance Administration and Compliance office (SPFAC) is committed to correcting these two deficiencies by working with our Principal Investigators to secure copies of the subaward technical and financial reports before they are incorporated into the final version of the report submitted to funder where applicable. This step will be included in the department's standard operating procedures.

To prevent missing entering important award information like the AL number and or the federal award date, as required by federal regulations, SPFAC will facilitate a refresher training to its Post Award team on how to complete the sub award agreements and documentation in accordance with federal regulations.

The director of SPFAC will oversee the implementation of this action plan.

Sincerely,

Judith Maina  
Director, SPFAC

Jerry Luke LeBlanc  
Vice President, Administration & Finance

Dr. E. Joseph Savoie  
President





## APPENDIX B: SCOPE AND METHODOLOGY

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We performed certain procedures at the University of Louisiana at Lafayette (UL Lafayette) for the period from July 1, 2022, through June 30, 2023, 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. Our procedures, summarized below, are a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2023.

- We evaluated UL Lafayette'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 UL Lafayette.
- Based on the documentation of UL Lafayette'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 the Research and Development Cluster for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We performed certain procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We compared the most current and prior-year financial activity using UL Lafayette's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from UL Lafayette's management for significant variances.

The purpose of this report is solely to describe the scope of our work at UL Lafayette, and not to provide an opinion on the effectiveness of UL Lafayette'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 UL Lafayette's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. UL Lafayette's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.