

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED APRIL 6, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Southeastern Louisiana University



April 2022

Audit Control # 80210089

Introduction

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, 2021, we performed procedures at Southeastern Louisiana University (Southeastern) to provide assurances on financial information that was significant to the System’s financial statements; evaluate the effectiveness of Southeastern’s internal controls over financial reporting and compliance; and determine whether Southeastern complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the Southeastern management letter dated April 5, 2021. We determined that management has resolved the prior-year finding related to Overpayment of Student Financial Assistance.

Current-year Finding

Noncompliance with Borrower Data Reconciliation Requirements

Southeastern did not properly reconcile the School Account Statement (SAS) data files to the institution’s financial records on a monthly basis for the Federal Direct Student Loans program (AL 84.268). Each month, the U.S. Department of Education’s Common Origination and Disbursement (COD) system provides the institution the SAS data files, which should reconcile back to the G5 system Draw Down reports and the institution’s financial records to ensure the institution has transmitted accurate and complete student data to the COD system for all Federal Direct Student Loan borrowers in accordance with federal requirements.

During fiscal year 2021, audit procedures revealed that eight of 12 monthly reconciliations were not completed timely and did not include documentation for unreconciled differences in student disbursements between the G5 system and the COD system.

Federal regulations require that institutions must, on a monthly basis, reconcile institutional records with Federal Direct Student Loan funds received and disbursement records submitted to and accepted by the U.S. Department of Education. Southeastern did not have adequate controls in place to ensure adherence with federal regulations in its performance of monthly reconciliations of Federal Direct Student Loan receipts and disbursements. Failure to set prescribed controls to perform the SAS data file monthly reconciliation places Southeastern in noncompliance with federal regulations and could result in Southeastern reporting inaccurate information to the COD system.

Management should strengthen its controls to ensure Southeastern properly performs monthly reconciliations of the G5 system to the COD system and properly documents the resolution of differences in the disbursement information between Southeastern and the COD system. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2021, we considered Southeastern'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, and Capital Assets
Liabilities – Accounts Payable and Accruals, and Bonds Payable
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, Net Auxiliary, State Appropriations, and Federal Nonoperating
Expenses – Educational and General, and Auxiliary Enterprise

The account balances and classes of transactions tested, as adjusted, were materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2021, 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 Southeastern's major federal program, Student Financial Assistance Cluster.

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

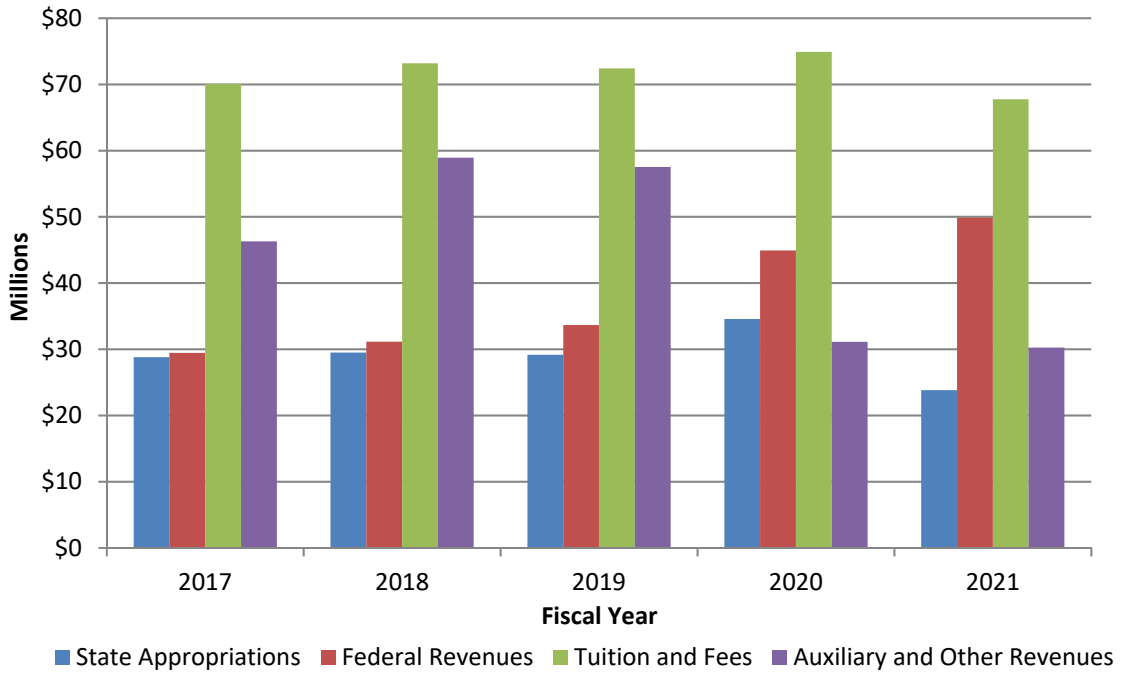
Based on the results of these Single Audit procedures, we reported a finding related to Noncompliance with Borrower Data Reconciliation Requirements. This finding will also be included in the Single Audit for the year ended June 30, 2021. In addition, Southeastern's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using Southeastern's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Southeastern'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.

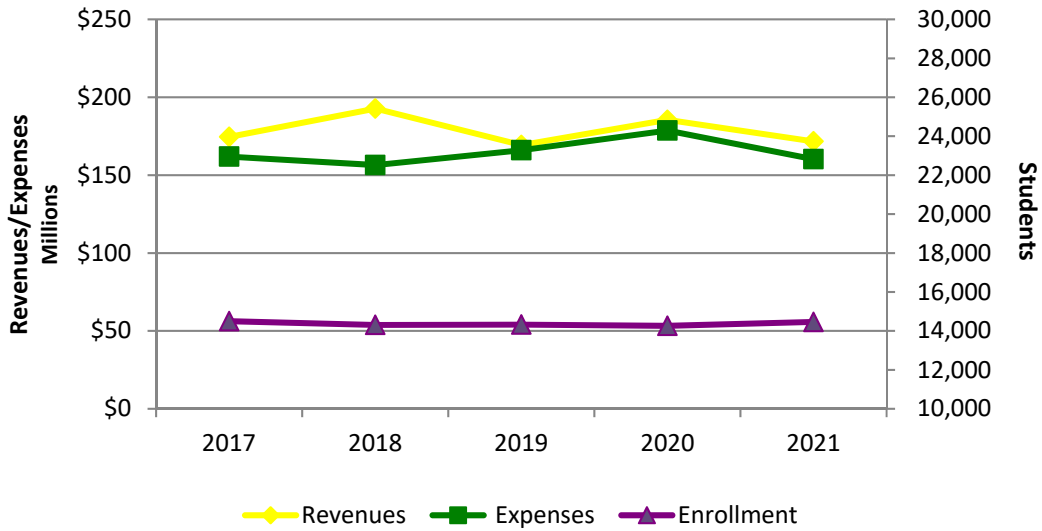
In analyzing financial trends of Southeastern over the previous five fiscal years, student enrollment has remained somewhat steady, and total revenues have exceeded total expenses. Federal revenues increased in fiscal year (FY) 2020 and FY 2021 due to Higher Education Emergency Relief Fund (HEERF) funds received, as a result of the novel coronavirus disease (COVID-19) pandemic. Net tuition and fees revenue declined in FY 2021 by \$7.2 million, as a result of increased scholarship aid provided to students using HEERF funding. State appropriations decreased in FY 2021 due in part to swapped HEERF funds, which reduced state funding in FY 2021. Total expenses declined in FY 2021 due in part to decreases to post retirement expenses and student services.

Exhibit 1 Five-Year Revenue Trends



Source: Fiscal Year 2017–2021 Southeastern Annual Financial Reports

Exhibit 2 Fiscal/Enrollment Trends



Source: 2017–2021 Southeastern Annual Financial Reports

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of Southeastern. The nature of the recommendation, its implementation costs, and its potential impact on the operations of Southeastern should be considered in reaching decisions on courses of action. The finding related to Southeastern'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

LMF:ETM:RR:EFS:aa

SLU2021

APPENDIX A: MANAGEMENT'S RESPONSE



March 11, 2022

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Noncompliance with Borrower Data and Reconciliation Requirements

Dear Mr. Waguespack:

I am in receipt of a letter dated February 25, 2022 from Mr. Edwin Martin, Audit Manager, regarding an audit finding related to monthly reconciliation requirements for the Federal Direct Student Loan Program. Southeastern concurs with this finding.

The Direct Loan reconciliation was adversely affected during the months of July 2020 – November 2020 due to a transition in staffing resulting from the resignation of the Assistant Director of Direct Loan Processing. This staff member resigned in early July 2020 and was responsible for Direct Loan reconciliation, origination, and disbursement. There were documented procedures associated with the reconciliation process; however, this documentation was not well developed, resulting in additional delays during the transition. As a result, while reconciliations were being performed, they were not finalized and were not being completed in the time frame required.

As part of Southeastern's process to ensure accurate and timely drawdowns of federal funds, the Controller's Office reviews and compares the total available to drawdown from the COD system and the amount disbursed in the PeopleSoft system before each drawdown of funds. Any differences are investigated and corrected, if needed. Totals disbursed from the PeopleSoft system are verified against the COD system. This verification is performed before every drawdown of federal funds from the COD system. The University lacked evidence of the full reconciliation to include the identification of student specific discrepancies, as well as appropriate signoffs of those responsible for the reconciliation process. While the process was not as systematic and well documented as it should have been, the verification process did ensure that the University did not draw down funds that resulted in questionable costs.

The following action has been taken:

- The Assistant Director position was filled in November 2020.
- As previously noted, there is no drawdown of funds until there is a reconciliation in total between what is available to be drawn down from the COD system and the amount

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disbursed in the Peoplesoft system. However, the documentation of the reconciliation process will be further developed to include documenting student specific discrepancies and resolution, appropriate signoffs, etc. Additional process enhancements will be made, such as the establishment of a standardized reconciliation form.

The Director of Financial Aid, in collaboration with the Controller, will be responsible for documenting all updates in procedures to strengthen university controls in this area. This process has already begun and will be fully implemented on or before May 1, 2022.

Southeastern acknowledges its responsibility to comply with all federal regulations and will continue to work closely with the Louisiana Legislative Auditors Office to ensure ongoing compliance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sam Domiano", written in a cursive style.

Sam Domiano
Vice President for
Administration & Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Southeastern Louisiana University (Southeastern) for the period from July 1, 2020, through June 30, 2021, 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, were 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, 2021.

- We evaluated Southeastern'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 Southeastern.
- Based on the documentation of Southeastern'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 Student Financial Assistance Cluster for the year ended June 30, 2021, as a part of the 2021 Single Audit.
- We performed 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, 2021, as a part of the 2021 Single Audit
- We compared the most current and prior-year financial activity using Southeastern's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Southeastern's management for significant variances.

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