

LOUISIANA STATE UNIVERSITY AT SHREVEPORT

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued August 23, 2023**

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Louisiana State University at Shreveport



August 2023

Audit Control # 80220046

Introduction

The primary purpose of our procedures at Louisiana State University at Shreveport (LSUS) was to evaluate certain controls LSUS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

Results of Our Procedures

We evaluated LSUS's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LSUS's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to bank reconciliations, student accounts receivable, and payroll and personnel expenses.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in LSUS's procedural report dated July 29, 2020. We determined that management has resolved the prior-report findings related to Lack of Controls over Outstanding Student Account Balances and Possible Improper One-Time Salary Supplement to Employees. The prior-report findings related to Bank Reconciliations Not Performed and Weakness in Controls over Payroll have not been resolved and are addressed again in this report.

Current-report Findings

Ineffective Bank Reconciliations

For the second consecutive engagement, LSUS did not ensure bank reconciliations were properly prepared. In addition, LSUS did not accurately and timely record transactions in its accounting systems. Failure to properly prepare bank

reconciliations and failure to timely and accurately post transactions in the accounting system increases the risk that errors and/or fraud could occur and not be detected in a timely manner and increases the risk of inaccurate financial reporting.

LSUS uses WorkDay as the accounting system of record; however, bank statements are reconciled to Integrow and not to WorkDay because of the level of detail maintained in the Integrow system. LSUS has a process to ensure transactions initiated in Integrow are properly posted to Workday, but it does not have a process to ensure transactions initiated in Workday are recorded in Integrow.

We reviewed the bank reconciliations for September 2020, January 2021, October 2021, and January 2022, and noted the following:

- There was no evidence of when the bank reconciliations were prepared or reviewed.
- The reconciliations indirectly identified eight payment transactions totaling \$62,078,794 from June 2020 to February 2021, that were recorded in Workday and cleared the bank; however, these transactions had not been recorded in Integrow and were identified as reconciling items for up to 10 months prior to being recorded in Integrow and cleared on the April 2021 reconciliation.
- The September 2020 and January 2021 reconciliations had a net unexplained difference of \$251,802 and the October 2021 and January 2022 reconciliations had a net unexplained difference of \$167,800 between the bank balance and the Integrow cash balance. The bullets below detail some of the reconciling items that contribute to the difference.
 - The January 2022 reconciliation includes \$1.8 million in transactions from prior fiscal years up to June 30, 2020, that were recorded in Integrow, but did not appear on the bank statement and approximately \$1.6 million in deposits on the bank statement that were not recorded in Integrow. Management represented that they believe the majority of these transactions offset each other, but they do not have sufficient information to match them exactly and clear them from the reconciliation.
 - All reconciliations reviewed included a wire transfer out per the bank statement of \$12,175,750 from December 2017, of which management represents \$11,923,233 was booked in Workday as of March 2017 but was not posted to Integrow as of the January 2022 reconciliation.
 - The January 2022 reconciliation includes Pilots Point Apartment deposits totaling \$71,722 and chargebacks totaling \$7,315 from July 2020 to January 2022 that cleared the bank but are not recorded in Integrow or Workday.

Good internal control requires proper posting of transactions to the accounting records and accurate reconciliation of bank balances to the accounting records. Bank reconciliations provide management with a basis to ensure that all transactions that affect both the bank accounts and the accounting records agree. Reconciliations are also helpful in identifying misappropriations.

Prior to July 2020, LSUS was not preparing bank reconciliations. When preparing the fiscal year 2021 and fiscal year 2022 bank reconciliations, LSUS identified a significant number of transactions that were either recorded incorrectly, not recorded in either system, or were recorded in Workday and not Integrow. LSUS represented that they have exhausted all avenues to identify and clear some of these transactions, and it is their position that the overall variance of \$167,800 is not material.

Management should ensure that bank accounts are properly reconciled and transactions are accurately and timely posted to its accounting systems. Management should also establish procedures to ensure that reconciling items identified during the bank reconciliation process are accurately and timely investigated and corrected. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Weakness in Controls Over Payroll

For the second consecutive engagement, LSUS did not maintain adequate controls over payroll processing, increasing the risk that errors and/or fraud may be committed and not detected in a timely manner.

We sampled 18 separate pay periods from July 2020 through April 2022 for 12 employees and noted one employee (8%) received a duplicate payment for additional compensation in the amount of \$8,040. The duplicate payment was the result of LSUS human resources (HR) personnel mistakenly entering the employee's additional compensation for class overload multiple times into Workday. Both entries were approved by a separate HR employee and the cost center manager, neither of which identified the duplicate entry. The employee identified the overpayment, and the funds were returned to LSUS.

In addition, LSUS did not ensure that time worked for 50 employees within the Facilities Services Department was approved by a supervisor from October 2020 through May 2022. LSUS implemented a new electronic time system for the Facilities Services Department. However, the department did not develop procedures for supervisors to approve employee time entries.

We also analyzed monthly certification reports provided by management of unclassified employees across all departments who earn leave and are required to certify their time and attendance records for the months of August 2020 through May 2022 (as of July 5, 2022). We did not include the months of June and July because the certification reports include employees who do not work, earn leave, or certify time during these months. As a result of this analysis, we noted 402 (8%) of 5,128 payroll records analyzed were not certified by the employee within 30 days of the

day after the payroll period end date. Delays in the certification of records ranged from 31 to 222 days of the day after the payroll period end date as follows:

Number of Days	Number of Records
31-60	253
61-90	85
91-180	60
>180	4

LSUS does not have formal policies requiring monthly certification of daily attendance and leave records for unclassified employees. Additionally, management does not have an effective process to ensure all employees, who are required by law, certify attendance and leave records monthly. Periodic reminders to complete certifications are sent to employees and supervisors; however, no additional procedures are performed after these reminders are sent to ensure employees complete the required certifications in a timely manner.

LSUS management should implement policies and procedures to ensure accurate information is entered into the payroll system, certifications are approved timely by employees, and time sheets are approved timely by their supervisor. In addition, management should develop monitoring and follow-up procedures to ensure payroll information is accurate, certified, and approved timely, as applicable. Management concurred in part with the finding and outlined a plan of corrective action (see Appendix A, pages 2-3).

Bank Reconciliations

LSUS maintains one local bank account to deposit self-generated funds, such as tuition and fees and auxiliary services collections, and to transfer funds to the LSU Baton Rouge campus. A general operating bank account is maintained by the LSU Baton Rouge campus to deposit funds received from LSUS and on behalf of LSUS, and to make disbursements on behalf of LSUS. The cash balance at June 30, 2022, per LSUS's Annual Fiscal Report, was \$8,251,091.

We obtained an understanding of LSUS's controls over bank reconciliations for the local bank account. We reviewed a sample of four monthly bank reconciliations from July 1, 2020 to June 30, 2022, to ensure timely and proper preparation, review, and approval. Based on the results of our procedures, we found that LSUS's bank reconciliations were not effective, as noted in the Current-report Findings section above.

Student Accounts Receivable

LSUS implemented a policy on Financial Holds on Student Accounts with Past Due Balances in October 2020. We obtained an understanding of LSUS's controls over

outstanding student account balances and account holds to prevent future registration. We verified that LSUS had a student receivable report that could be reconciled to the general ledger, with reasonable explanations for differences. We selected a random sample of 24 students with outstanding account balances as of June 30, 2022, and performed procedures to ensure LSUS followed its internal policies and procedures. Based on the results of our procedures, LSUS had adequate controls in place to ensure students with outstanding account balances were not allowed to register for future classes.

Payroll and Personnel Expenses

We obtained an understanding of LSUS's controls over pay authorization, additional compensation, time and attendance, and one-time salary supplements. We reviewed a sample of 18 separate pay periods from July 1, 2020, through April 30, 2022, for 12 employees to ensure that employees were paid at the authorized rate, including additional compensation and retroactive payments, and that there was no evidence of improper one-time salary supplements.

In addition, we performed the following procedures to ensure compliance with timekeeping records requirements:

- Reviewed a sample of 20 separate hourly employees, excluding the Facilities Department, for pay periods from July 1, 2020, through April 30, 2022, to ensure time and attendance records for the pay period selected were created and submitted by the employee and approved by the supervisor.
- Obtained an understanding of the procedures in place for supervisor approval of time worked for the Facilities Services Department.
- Analyzed monthly certification records of unclassified employees across all departments who earn leave and were required to certify their time and attendance records from August 2020 through May 2022 (as of July 5, 2022), excluding the months of June and July.

Based on the results of our procedures, we found LSUS did not have adequate controls in place over payroll processing, as noted in the Current-report Findings section above.

Trend Analysis

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

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

BDM:RJM:BH:BQD:aa

LSUS2022

APPENDIX A: MANAGEMENT'S RESPONSES



Office of Business Affairs
318.797.5278 Phone
318.798.4141 Fax

One University Place
Shreveport, LA 71115-2399

July 18, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor

Dear Mr. Waguespack:

LSUS takes very seriously the responsibility to properly post transactions to our accounting records and to accurately reconcile bank balances to the accounting records. Bank reconciliations provide management with a basis to ensure that all transactions that affect both bank accounts and the accounting records agree. Reconciliations are also helpful in identifying misappropriations.

Finding: Ineffective Bank Reconciliations

Management Response: Management concurs with the finding.

Recommendation #1 – Ensure that bank accounts are reconciled, and transactions are accurately and timely posted to our accounting system.

Management Response: Management agrees with the recommendation. LSUS will develop and implement written procedures to ensure bank accounts are reconciled, and transactions are accurately and timely posted to our accounting system.

Responsible Personnel: The Director of Accounting Services, Veronica Crabtree.

Implementation Date: October 1, 2023.

Recommendation #2 – Establish procedures to ensure reconciling items identified during the bank reconciliation process are accurately and timely investigated and corrected.

Management Response: Management agrees with the recommendation. LSUS will develop and implement written procedures to ensure reconciling items identified during the reconciliation process are accurately and timely investigated and corrected.

Responsible Personnel: The Director of Accounting Services, Veronica Crabtree

Implementation Date: January 19, 2024.



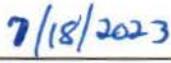
Shelby Keith
Interim Vice Chancellor for Business Affairs



Date



Robert Smith
Chancellor



Date

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Waguespack:

Our Management Responses are below for the audit finding presented to our campus via email from Brian Mobley dated August 8, 2022, which covered the 2020-2022 fiscal years.

Duplicate Payment for Additional Compensation for \$8,040

Finding: Weakness in Controls over Payroll

Management concurs in part with the finding regarding the duplicate payment for additional compensation. The employee did enter a duplicate payment into the ERP system, Workday. Because of how the ERP was implemented, the employee entering the payment is unable to see the entered payment until it is further approved by a manager of the department. Because this happened one other time, LSUS had LSU A&M configure the system to add an additional approver in HR. In the current instance, all approvers approved both entered payments inadvertently. This is very easy to do since the person entering cannot see what has been entered. Also, the approver could easily forget that they approved that same payment previously. Thousands of transactions are entered. Because these errors are not systemic in nature and there is no evidence of fraudulent activity, but rather inadvertent mistakes, LSUS is partially concurring with this finding.

Response: Weakness in Controls over Payroll

The error was called to the attention of HR by the employee and within 3 days of payment the money was recouped. Again, when the previous overpayment happened, LSUS had LSU A&M provide an additional approver in the HR office to help circumvent this issue. However, that is still not the solution. Human error will occur. There needs to be a check and balance on the front end of the process. LSUS has sent a request to LSU A&M, since LSUS has no control over the ERP system configuration, for a proposed solution. We have given them three proposed solutions. One, for One-Time Payments (OTP) allow a "summary" of payments for the FY (similar to what the system does for Period Activity Pay) at the beginning of the process. That way, the person entering can verify in real time what has already been entered and avoid duplicating. Second, add a feature that will check for potential duplicates, i.e., some sort of alert to the processor. Third, allow Period Activity Pay for 12-month employees, similar to what is allowed for 9-month employees. The third option is not the ideal option but could potentially help. However, in the meantime, we have requested whether there are reports that can be run for the payroll inputs for our campus that we could have someone in accounting services review prior to payroll actually processing. LSU A&M has provided access to a report call Bonus & One-Time Payments. Accounting Services will run the report prior to payroll running in Baton Rouge and review for any potential duplicate payments.

Timesheet Not Completed and Approved by Supervisor

Finding: Weakness in Controls over Payroll

Management concurs that the completed timesheets were not signed off on by the supervisors in Facility Services. During the previous audit, a manual timecard was not located, and we received the finding. LSUS took

steps to implement a timekeeping software, When I Work, for our facilities personnel. The core function is tracking employee time via a digital timeclock punch card. LSUS utilizes locked terminals on a PC. Each employee is issued a unique ID and password and uses this unique ID to clock in and out each day at the PC terminal in the Facility Services building. The terminal is also monitored via security camera. Each day, the Facility Service Admin Coordinator 4 (Workday Timekeeper), generates a report within the When I work software for use to enter the exact times into Workday. Paper leave slips are utilized for when an employee is going to be absent from work. If an employee misses a clock in or clock out time, the Admin Coordinator 4 contacts that person's supervisor and obtains the correct start/end time for time entry. Sometimes, the camera is utilized to validate the clock-in time if the supervisor is not fully aware of the exact start and ending shift times.

Response: Weakness in Controls over Payroll

During a change in management, the process wherein the reports that are generated by When I Work are signed off by the supervisor, was stopped. During this audit, this was discovered by the new Director of Facilities Services. The process has since been reinstated and the supervisor signs off on the reports that show the time for each employee prior to payroll processing.

Employees Did Not Certify Their Time & Attendance Monthly (RS 17:3311.A.(3))

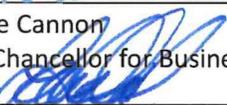
Finding: Weakness in Controls over Payroll

Management partially concurs with the finding regarding those unclassified employees and faculty that earn leave and are required to certify their time and attendance and were late in certifying this time. LSUS does not feel like there is payroll fraud because these employees did not certify their time and attendance in a punctual fashion. LSUS feels that this is just a lack of concern on the employees' part. After the previous audit, LSUS obtained authorization to run a report to determine who had not certified their time. The data on the report is not completely accurate. The report continues to list employees that are not working in the summer and therefore, are not earning leave during this time. These employees refuse to certify time, since they are not working. LSUS has asked LSU A&M to please get the report correct. The Associate Director of HR sends out periodic reminders to those that are on the report that were working and therefore do need to certify their time. However, because there are no sanctions on these employees, it is difficult to get them to do what is right and certify their time.

Response: Weakness in Controls over Payroll

LSUS believes that the ERP system should be programmed to send daily reminders to those that have not certified their time along with notification to their manager. It currently sends a reminder on the 15th of the month if time has not been certified. However, it should be sent daily to the employee and the manager. The manager should have responsibility to use this information in a performance evaluation setting. Again, what are the sanctions on an employee for not certifying? Can you withhold pay? What about tenured faculty? Notwithstanding the answers to those questions, LSUS will ask LSU A&M to give access to run the report to my Admin Coordinator 3. We will add this to her duties and have her run the report and email the employees daily. However, if there are no sanctions for not certifying time, I am unsure of how successful this will be.



Barbie Cannon
Vice Chancellor for Business Affairs


Larry Clark
Chancellor

09/22/2022

Date

09/22/2022

Date

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana State University at Shreveport (LSUS) for the period from July 1, 2020, through June 30, 2022. Our objective was to evaluate certain controls LSUS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review LSUS's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LSUS is a part of the Louisiana State University System, which is an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LSUS'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 LSUS.
- Based on the documentation of LSUS's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to bank reconciliations, student accounts receivable, and payroll and personnel expenses.
- We compared the most current and prior-year financial activity using LSUS's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LSUS's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at LSUS and not to provide an opinion on the effectiveness of LSUS'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 purpose.