

LOUISIANA STATE UNIVERSITY
AND RELATED CAMPUSES
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED FEBRUARY 20, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
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PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$4.27. 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 website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3478 or Report ID No. 80120049 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain audit procedures at Louisiana State University (LSU) and Related Campuses as part of the Louisiana State University System's financial statement audit for the year ended June 30, 2012, and to evaluate its accountability over public funds for the period July 1, 2011, through June 30, 2012.

We tested controls, compliance, and financial reporting for the following accounts in LSU and Related Campuses financial statements: cash and cash equivalents, investments, capital assets, deferred revenue, bonds payable, compensated absences payable, other postemployment benefits payable, net assets, student tuition and fee revenues, federal revenues, auxiliary revenues, state appropriations, education and general expenses, and auxiliary expenses. We also evaluated controls and compliance for the federal Student Financial Assistance Cluster. Our procedures on those accounts disclosed the following:

- Financial information related to these accounts was fairly presented.
- An LSU System internal audit report, dated June 13, 2012, disclosed that improper purchases using federal funds totaling \$159,167 were made by four employees within the Office of Academic Assistance at LSU at Eunice. Evaluation of these employees' procurement card activity revealed that purchases for personal use were concealed with altered or falsified documents.
- Cash in the amount of \$7,872 was discovered missing during the LSU Athletic Ticket Office's reconciliation of two ticket batches from sales relating to a baseball game. The cause of the missing cash has not been determined.
- Total revenues have risen over the past four years for LSU and Related Campuses despite a \$128 million decrease in state appropriations due to offsetting increases in other revenues (\$112 million) and tuition and fees (\$65 million). The increase in other revenues is primarily due to increases in capital appropriations (Business Education Complex, Choppin Hall annex, and South Campus land purchase), net auxiliary revenues, net investment income, and gifts.

This report is a public report and has been distributed to state officials. We appreciate the universities' assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 31, 2013

**LOUISIANA STATE UNIVERSITY BOARD OF SUPERVISORS,
LOUISIANA STATE UNIVERSITY,
LOUISIANA STATE UNIVERSITY AGRICULTURAL CENTER,
PENNINGTON BIOMEDICAL RESEARCH CENTER,
PAUL M. HEBERT LAW CENTER,
LOUISIANA STATE UNIVERSITY AT ALEXANDRIA,
AND LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana State University System's (System) financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2012, we conducted certain procedures at Louisiana State University Board of Supervisors, Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Paul M. Hebert Law Center, Louisiana State University at Alexandria, and Louisiana State University at Eunice for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of LSU and Related Campuses' operations and system of internal controls, including internal controls over major federal award programs administered by the university, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the university.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using LSU and Related Campuses' financial information provided to the LSU System and obtained explanations from management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year engagement. The findings identified in our prior year management letter dated February 6, 2012, relating to noncompliance with leave and time and attendance policies within the Student Health Center and noncompliance with billing and procurement processes within the LSU Fire and Emergency Training Institute have been resolved by management.

- Our auditors considered internal control over financial reporting and examined evidence supporting certain accounts and balances material to the System's financial statements as follows:

Statement of Net Assets - Cash and cash equivalents, investments, capital assets, deferred revenue, bonds payable, compensated absences payable, other post-employment benefits payable, and net assets

Statement of Revenues, Expenses, and Changes in Net Assets - Student tuition and fee revenues, federal revenues, auxiliary revenues, state appropriations, education and general expenses, and auxiliary expenses

We also tested LSU and Related Campuses' compliance with laws and regulations that could have a direct and material effect on the System's financial statements. These procedures were performed in accordance with *Government Auditing Standards* as part of our audit of the System's financial statements for the fiscal year ended June 30, 2012.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the Student Financial Assistance Cluster (CFDA various) for the fiscal year ended June 30, 2012, as part of the Single Audit of the State of Louisiana.

LSU and Related Campuses' accounts are an integral part of the 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. The finding relating to improper purchases made with university procurement cards will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2012.

Improper Purchases Made with University Procurement Cards

An LSU System internal audit report, dated June 13, 2012, disclosed that improper purchases using federal funds totaling \$159,167 were made by four employees within the Office of Academic Assistance at LSU at Eunice. Evaluation of these employees' procurement card activity for fiscal years 2008 through 2012 (to February 28) revealed that purchases for personal use were concealed with altered or falsified documents.

The Office of Academic Assistance administers two federal TRIO programs (TRIO): Upward Bound (CFDA 84.047) and Student Support Services (CFDA 84.042). According to the U.S. Department of Education’s website, “TRIO includes eight programs targeted to serve and assist low-income individuals, first-generation college students, and individuals with disabilities to progress through the academic pipeline from middle school to post-baccalaureate programs.” All purchases were made using TRIO funds.

The four individuals whose cards were used to make alleged personal purchases are as follows:

<u>Employee</u>	<u>Total Purchases (FY 08 - FY 12)</u>	<u>Questioned Purchases</u>	<u>Number of Transactions Questioned</u>
Dr. Marvette Thomas, Director	\$166,834	\$68,464	873
Ms. Carra Sergeant, Assistant Director	182,452	74,653	546
Ms. Shawana Prudhomme, Specialist	47,774	11,766	110
Ms. Judy Guillory, Assistant to the Director	14,817	4,284	31
Total	\$411,877	\$159,167	1,560

Examples of some types of items purchased include clothing for ladies, men, and children; jewelry; electronics including laptops, iPad2, iPods, digital camera, and gaming consoles; gift cards totaling at least \$8,650; cookware; electric tools; children’s toys; recreational vehicle parts and accessories; pet supplies and food; household and outdoor items; Grambling State apparel and accessories; exercise equipment; automotive items; food; and books that might be deemed to be religious books. These individuals are no longer employed by LSU at Eunice.

LSU’s LaCarte User’s Guide and Louisiana “LaCarte” Purchasing Card Policy establish policies and procedures for the procurement card program. Inadequate oversight of LaCarte card purchases increases the risks that errors or fraud could occur and remain undetected. Questioned costs are \$159,167.

The LSU System internal audit report included recommendations to LSU Eunice management that included providing more effective oversight of procurement card purchases, such as annual training, exception reporting, physical observation of items purchased, and periodically comparing data obtained from vendors to documents submitted by employees. In addition, management should seek restitution from the employees for the improper purchases. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Missing Cash in LSU Athletic Ticket Office

Cash in the amount of \$7,872 was discovered missing during the LSU Athletic Ticket Office's reconciliation of two ticket batches from sales relating to a baseball game. The cause of the missing cash has not been determined.

The LSU Athletic Ticket Office did not have proper controls in place to safeguard cash while processing ticket batches, which increases the risk of theft or loss of assets. Good business practices require that controls include procedures and safeguards to minimize the risk of theft or loss of assets. In response to the missing funds, the LSU Office of Accounting Services reviewed the Athletic Ticket Office's cash processing procedures and provided various recommendations to strengthen controls over cash processing.

Management should ensure that the LSU Office of Accounting Services' recommendations are implemented, especially those relating to the physical security of cash. In addition, the LSU Athletic Ticket Office should determine if additional cash controls are necessary to mitigate risks related to cash processing. Management concurred with the finding and provided a corrective action plan (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 LSU and Related Campuses. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the LSU and Related Campuses should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the university and its management, others within the university, the LSU System and its board of supervisors, and the Louisiana Legislature 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

JPT:NMW:EFS:THC:dl

Appendix A

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



Office of the Chancellor • Louisiana State University at Eunice • P.O. Box 1129 • Eunice, LA 70535
Phone: (337) 550-1201 • FAX: (337) 546-6620

October 22, 2012

Mr. Daryl G. Purpera, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – Improper Purchases Made with University Procurement Cards

Dear Mr. Purpera:

Louisiana State University Eunice concurs with the findings and recommendations concerning the improper purchases made with university procurement cards by Federal TRIO Grant employees of the Office of Academic Assistance at the university. After LSU Eunice's management brought the suspected improper purchases to the attention of the LSU internal auditors, LSU Eunice notified the legislative auditor, the district attorney and the U.S. Department of Education by phone and letter that an ongoing investigation was being conducted by the internal auditors. As an end-result of this incident, LSU Eunice has taken the corrective plan of action which is outlined below.

Procedures to provide more effective oversight of procurement card purchases were implemented on campus. Controls that have been put in place to identify misappropriation, fraud, and simple noncompliance with procurement cards include the following:

- (a) Supervisors will be required to approve procurement card purchases made by his or her employees and will be held accountable for misuse of the card. The employee will be required to submit to his or her supervisor the original receipts attached to a printout of the "header" screen in the procurement system. The supervisor must review the original receipts before approving the purchase online. Also, the supervisor will be responsible for keeping the documentation on file in their office as backup. The appropriate Vice Chancellor or Chancellor and Business Affairs personnel will periodically unannounced review the documentation kept on file in the supervisor's office.
- (b) Annually, all individuals responsible for the approval of procurement card transactions will be trained by Business Affairs staff on procedures and controls.

Mr. Daryl G. Purpera, CPA

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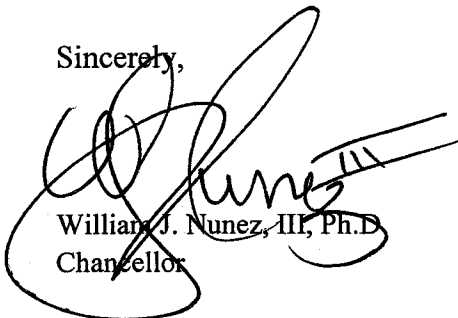
October 22, 2012

- (c) Business Affairs will request credit card vendor purchase data and verify items purchased and approved in the procurement card system by employees. Any discrepancies will be immediately investigated and questioned.
- (d) Supervisors and Business Affairs personnel will monthly compare actual costs for supplies to amounts budgeted. Any overage will be investigated and questioned.
- (e) Supervisors and Business Affairs personnel will review employee's transactions for reasonableness. Repetitive transactions, in particular, will be investigated and questioned.
- (f) Supervisors and Business Affairs personnel will physically observe items purchased periodically on an unannounced test basis, particularly for those transactions processed by a third-party processor.

Upon the receipt of the internal audit report on their investigation of the alleged procurement card misuse at LSU Eunice, a copy of the report and a letter of explanation were sent to the Louisiana Legislative Auditors, the Acadia Parish District Attorney, the Department of Education, and the U.S. Attorney General's Office—Western District of Louisiana. In the letter to the U.S. Department of Education, LSU Eunice inquired about any reporting and potential repayment requirements.

The FBI and Department of Education Inspector General's Office have contacted LSU Eunice concerning this misuse of funds and will be working with management to seek restitution from the employees for the improper purchases. The corrective action plan was implemented the early part of FY 2012-13 and will be an on-going process. Arlene C. Tucker, Vice Chancellor for Business Affairs, is the contact person responsible for the corrective action. If you have any questions or need any additional information, please feel free to contact us.

Sincerely,



William J. Nunez, III, Ph.D.
Chancellor



LOUISIANA STATE UNIVERSITY

Finance & Administrative Services

Mr. Daryl G. Purpera, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

January 11, 2013

Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, we wish to respond to the audit finding concerning missing cash in the LSU Athletic Ticket Office in the amount of \$7,872. We concur with the finding addressed in the letter dated January 9, 2013. As requested in the letter, the following response is issued:

Finding:

The LSU Athletic Ticket Office did not have proper controls in place to safeguard cash while processing ticket batches, which increases the risk of theft or loss of assets.

Response to Finding:

Anticipated Completion Date: 06/30/2013

- The Office of Accounting Services reviewed the LSU Athletic Ticket Office cash handling process. On November 28, 2012, a memo was issued to Athletics providing recommendations to strengthen controls over cash processing procedures.
- Members of Accounting Services and Athletics received a demonstration on Smart Safe which is a product and service provided by Loomis and JP Morgan Chase that would reduce the risk involved in cash handling by providing an onsite cash depository.

Contact Person(s): Donna K. Torres, Associate Vice Chancellor for Accounting & Financial Services
Mark Ewing, Senior Associate Athletics Director

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

Robert Kuhn
Interim Vice Chancellor for Finance & Administrative Services and CFO