

LOUISIANA STATE UNIVERSITY AT EUNICE  
LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED JULY 20, 2016

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Louisiana State University at Eunice

July 2016

Audit Control # 80160069

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### Introduction

The primary purpose of our procedures at the Louisiana State University at Eunice (LSU Eunice) was to evaluate certain controls that LSU Eunice uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds for the period from July 1, 2014, through June 30, 2016.

LSU Eunice is a two-year university in the Louisiana State University System (System), which is a component unit of the state of Louisiana. LSU Eunice offers associate degrees, technical diplomas, certificates, and continuing education programs, as well as transfer curricula.

### Results of Our Procedures

We evaluated LSU Eunice'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 LSU Eunice's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, receivables, capital assets-movable property, tuition and fees revenue, payroll, non-payroll expenses including LaCarte Card transactions, and reconciled the subsidiary system to the general ledger.

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#### Current-year Finding

##### Inadequate Segregation of Duties

LSU Eunice has not established adequate segregation of duties over the receipt, deposit, and recording of cash. Two employees can receive cash, prepare the cash for deposit, and make the cash deposit. In addition, one employee has access to receive cash and prepare the cash for deposit. All three employees have access to record the cash transactions in the accounting system.

Adequate segregation of duties requires these activities be performed by separate individuals or have controls that mitigate the risk of error or misappropriation of cash. Inadequate segregation of duties increases the risk of employee error or fraud, although no significant errors or fraud were identified.

LSU Eunice should strengthen its procedures to ensure that duties surrounding cash receipts are adequately segregated. Management concurred with the finding and provided corrective action (see Appendix A).

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## **Cash**

LSU Eunice maintains general and petty cash accounts, which are used for depositing and transferring funds and making small purchases, respectively. The general account is reconciled by Baton Rouge personnel. The petty cash account is reconciled monthly by LSU Eunice personnel, and the reconciliation is reviewed and approved by an individual other than the preparer. We determined that the petty cash account reconciliations from July 2014 to January 2016 were reviewed and approved timely.

We verified petty cash funds maintained by the Business Office by confirming that cash and receipts reconciled to the petty cash allotment. We reviewed the petty cash check register and made inquiries regarding certain transactions. Explanations for transactions were reasonable.

During these procedures, we noted that duties for collecting, recording, and depositing cash were not adequately segregated. See Current-year Finding mentioned on the previous page.

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## **Receivables**

LSU Eunice has an agreement with the Louisiana Attorney General for debt collection. We reviewed LSU Eunice's policies and procedures related to debt collection for compliance with applicable laws and regulations. We reviewed 15 students with accounts receivable activity during the quarter ending March 31, 2016, to ensure LSU Eunice followed its internal policies and procedures. We also reviewed the accounts to ensure that collection activity followed state law and the agreement with the Attorney General. There were no exceptions noted.

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## **Capital Assets - Movable Property**

LSU Eunice tags and inventories movable property with an original acquisition cost that is over \$1,000. We verified the existence of a sample of 15 tagged property items as of February 29, 2016. No exceptions were noted.

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## **Tuition and Fees**

LSU Eunice assesses tuition and fees as students enroll for courses. We performed procedures on the calculation of the tuition increase from fiscal year 2015 to fiscal year 2016 and verified that the spring 2016 semester tuition and fees were assessed in accordance with applicable laws and regulations. We performed procedures to verify the accuracy and completeness of gross

tuition and fee revenue recorded in the general ledger based on student enrollment for the summer 2014 through fall 2015 semesters. The tuition and fee schedule revenues recorded in the general ledger were within our expectation.

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## **Payroll**

Payroll and related benefits expenses totaled approximately \$5.8 million for fiscal year 2016 through January 31, 2016. Through inquiry and observation, we obtained an understanding of LSU Eunice's controls for authorizing and entering pay changes. We judgmentally selected seven employees whose gross salary increased between 2015 and 2016, and agreed the increase to the approved payroll authorization. No exceptions were noted.

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## **Non-payroll Expenses**

Non-payroll expenses totaled \$6.1 million for fiscal year 2016 through January 31, 2016. We traced a sample of 19 expense transactions that occurred between July 1, 2014, and January 31, 2016, to supporting documentation and ensured that the transactions were properly approved and in compliance with laws and regulations. No exceptions were noted.

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## **LaCarte Cards**

LSU Eunice has approximately 16 LaCarte card holders. The LaCarte cards are used for travel, small purchases, supplies, etc. We traced a sample of 23 credit card purchases that occurred between July 1, 2015, and January 31, 2016, to supporting documentation and verified that the purchases were reasonable. We also reviewed transactions for evidence of split purchases. No exceptions were noted.

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## **Reconcile Subsidiary System to General Ledger**

LSU Eunice has a subsidiary system to process and record revenue transactions. LSU Eunice converts the subsidiary system transactions to general ledger classifications and posts the transactions to the general ledger on a regular basis. We performed procedures to reconcile the material transactions per the subsidiary system to cash deposits per the bank statement and to the asset, liability, revenue, and expense transactions recorded in the general ledger for fiscal year 2015 and fiscal year 2016 to January 31, 2016.

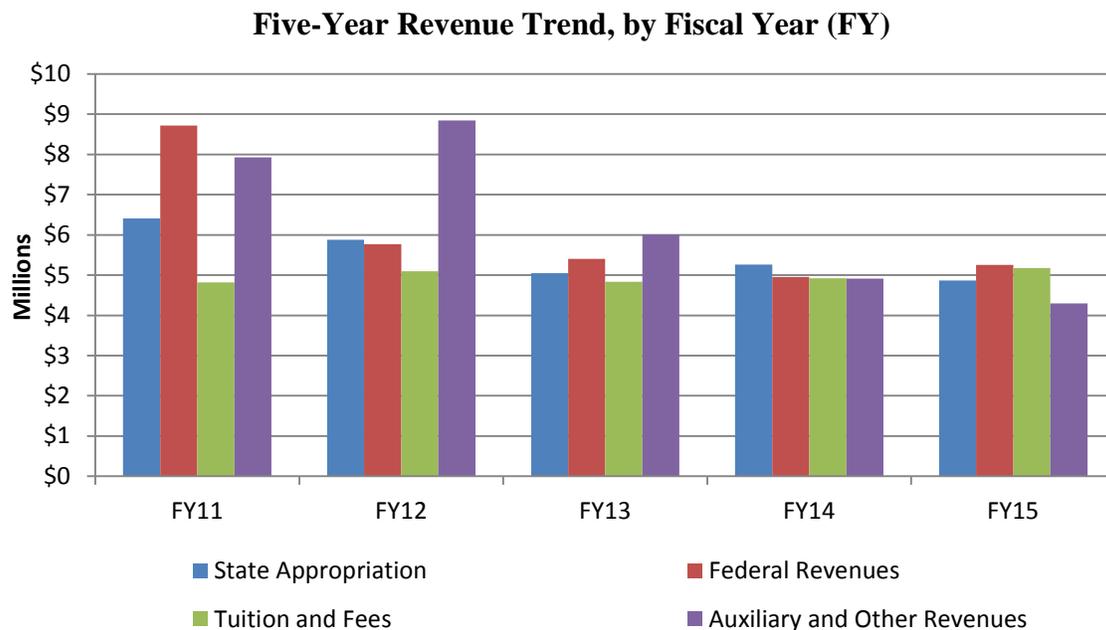
Based on risks identified in the conversion and posting process, we reviewed supporting documentation for several judgmentally selected unreconciled, immaterial transactions. Posting errors were noted among the subsidiary system and the general ledger. Transactions were properly recorded in one system, but not the other. Procedures determined errors were due to

oversight and no fraud was detected. Management took corrective action to post the transactions identified.

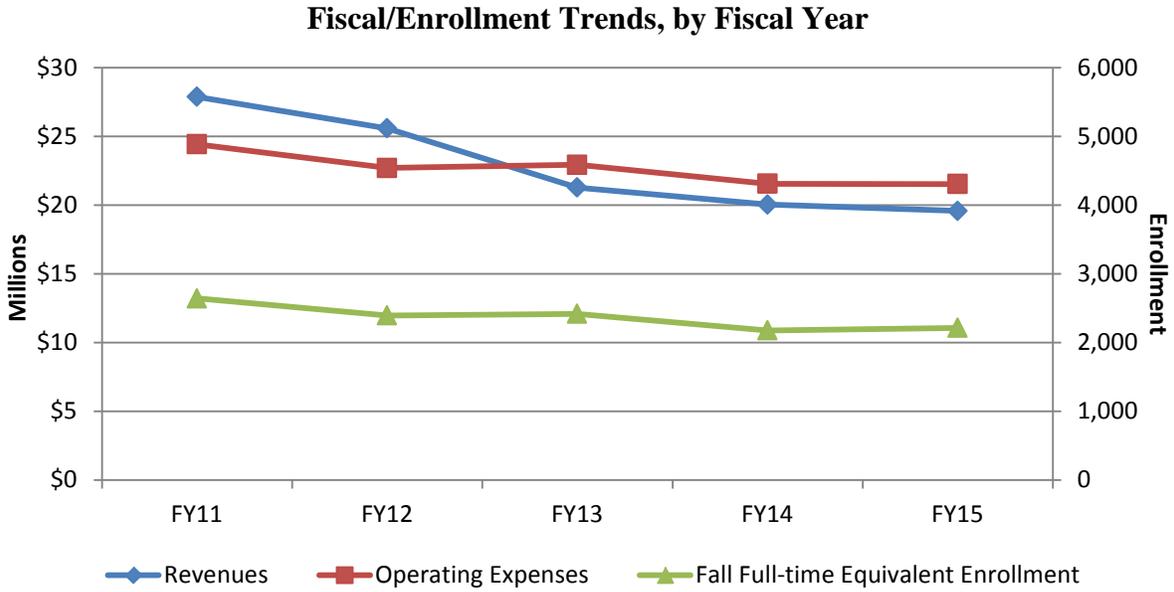
## Comparison of Activity between Years

We compared the most current and prior-year financial activity as of December 31 using LSU Eunice's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years, as shown in the charts below.

In analyzing financial trends of LSU Eunice over the past five fiscal years, state appropriations and federal revenues have generally decreased since fiscal year 2011. The decline in federal revenues is attributed to the State Fiscal Stabilization funds ending in fiscal year 2011. Auxiliary and other revenue fluctuations are due to capital appropriations for construction projects. As these revenues decrease, the university's operations are becoming more dependent on tuition and fees, which have remained relatively stable.

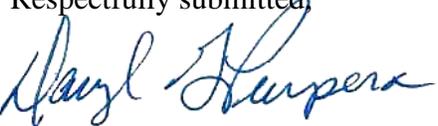


**Source:** Fiscal year 2011-2015 LSU System Audit Reports



**Source:** Fiscal year 2011-2015 LSU System Audit Reports and LSUE published enrollment data

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

Respectfully submitted,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

RM:CR:BH:EFS:aa

LSUE 2016



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





June 16, 2016

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

RE: Audit Finding – Inadequate Segregation of Duties

Dear Mr. Purpera:

Louisiana State University at Eunice concurs with the finding and recommendation concerning inadequate segregation of duties over the receipt, deposit, and recording of cash. To mitigate the risk of error or misappropriation of cash, a separate individual from those involved with the handling of cash will be tasked with the responsibility to reconcile the Jenzabar summary sheet to the actual deposit slip on a daily basis.

The corrective action plan will be implemented by August 1, 2016. Arlene C. Tucker, Vice Chancellor for Business Affairs, is the contact person responsible for the corrective action. If you have any questions or need additional information, please feel free to contact us.

Sincerely,

A handwritten signature in blue ink that reads "Kimberly Russell".

Kimberly Russell, Ed.D.  
Chancellor



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana State University at Eunice (LSU Eunice) for the period from July 1, 2014, through June 30, 2016. Our objective was to evaluate certain internal controls LSU Eunice uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are 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 LSU Eunice's Annual Fiscal Reports, and, accordingly, we do not express opinions on those reports. LSU Eunice's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LSU Eunice's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LSU Eunice.
- Based on the documentation of LSU Eunice's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, receivables, capital assets-movable property, tuition and fees revenue, payroll, non-payroll expenses including LaCarte Card transactions, and reconciled the subsidiary system to the general ledger.
- We compared the most current and prior-year financial activity using LSU Eunice's annual fiscal reports and/or system-generated reports and obtained explanations from LSU Eunice's management for any significant variances.

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