

UNIVERSITY OF LOUISIANA AT MONROE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 17, 2014

**LOUISIANA LEGISLATIVE AUDITOR
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THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 17, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Dr. Nick Bruno, President,
University of Louisiana at Monroe,
University of Louisiana System

Dear Senator Alario, Representative Kleckley, and Dr. Bruno:

This report includes the results of the procedures we performed at the University of Louisiana at Monroe (ULM) for the period from July 1, 2012 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of ULM for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KWB:BAC:BDC:EFS:aa

ULM 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

University of Louisiana at Monroe

December 2014



Audit Control # 80140044

Introduction

As a part of our audit of the University of Louisiana System's (System) financial statements for the year ended June 30, 2014, we performed procedures at the University of Louisiana at Monroe (ULM) to provide assurances on financial information that is significant to the System's financial statements; to evaluate the effectiveness of ULM's internal controls over financial reporting and compliance; and to determine whether ULM complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior management letter.

ULM is a part of the System and reported an enrollment of more than 8,500 students for the fall 2013 semester. Its mission is to seek students who find value in ULM's programs and to then prepare them to compete, succeed, and contribute in an ever-changing global society through a transformative education.

Results of Our Procedures

Follow-Up on Prior Finding

Our auditors reviewed the status of the prior finding reported in a management letter dated December 5, 2012. We determined that management has resolved the prior finding related to missing recreational services funds.

Current-Year Finding

Information Technology Control Weaknesses

During the fiscal year ended June 30, 2014, ULM did not maintain adequate controls over its information technology (IT) controls. ULM's Banner accounting system processes more than \$120 million in revenues and expenses annually, and contains confidential data. Inadequate IT controls increase the risk of unauthorized access, changes, or data loss. ULM has represented that the following weaknesses resulted from a reduction in IT personnel due to budget cuts campus wide.

- ULM did not remove system access for 68 former employees immediately after termination, increasing the risk of unauthorized system access.
- ULM did not properly limit system access for 16 current employees, including eight IT employees, thereby increasing the risk of unauthorized system access.
- ULM did not have adequate controls over changes to data or systems, potentially allowing changes without appropriate oversight or documentation.
- ULM did not conduct disaster recovery testing since 2011 and lacked critical recovery points and updated baselines for recovery, reducing its ability to timely restore critical operations and data.

In addition to the weaknesses above, we also discussed sensitive security matters with ULM management. We evaluated ULM's IT controls based on best practices, as defined by *Control Objectives for Information and Related Technology*, a framework developed by the Information Systems Audit and Control Association. Although these control deficiencies existed, we found no instances of improper transaction processing, unauthorized data disclosure, or unapproved changes during our work.

Management should (1) perform a periodic review of system access; (2) revoke access upon employee termination; (3) limit access for current employees to only the access necessary for their job duties; (4) document and monitor all IT changes; (5) regularly test and revise the disaster recovery plan; and (6) address other security matters discussed with the auditors. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2014, we considered ULM's internal controls 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 - Unearned revenues and bonds payable

Net Position - Net Investment in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Net student tuition and fees, auxiliary enterprise revenue, state appropriations, and federal nonoperating revenues

Expenses - Educational and general expenses, auxiliary expenses, and interest expense

Our audit included tests of ULM’s compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

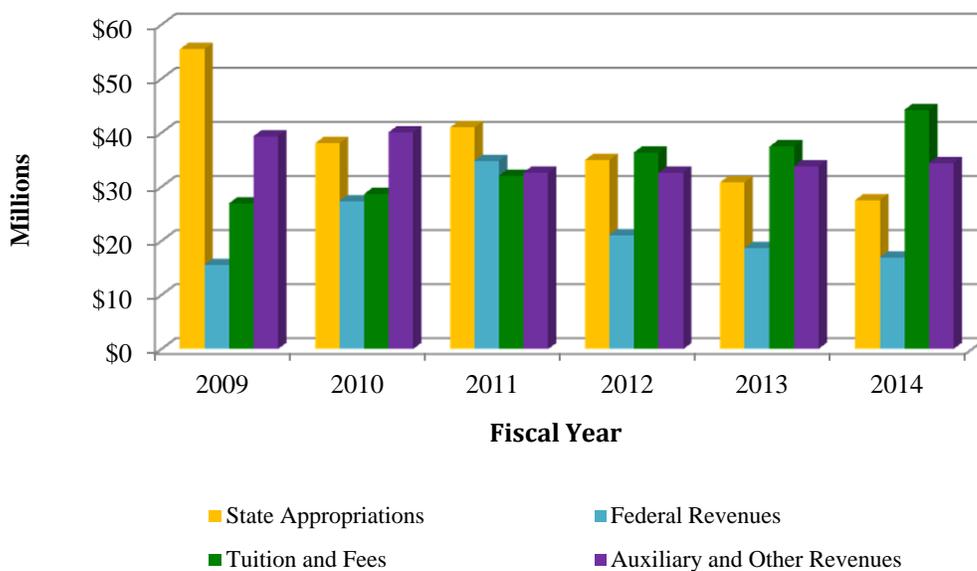
Based on the results of these procedures on the financial statements, we reported a finding regarding IT control weaknesses. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using ULM’s annual fiscal reports and/or system-generated reports and obtained explanations from ULM management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last six years.

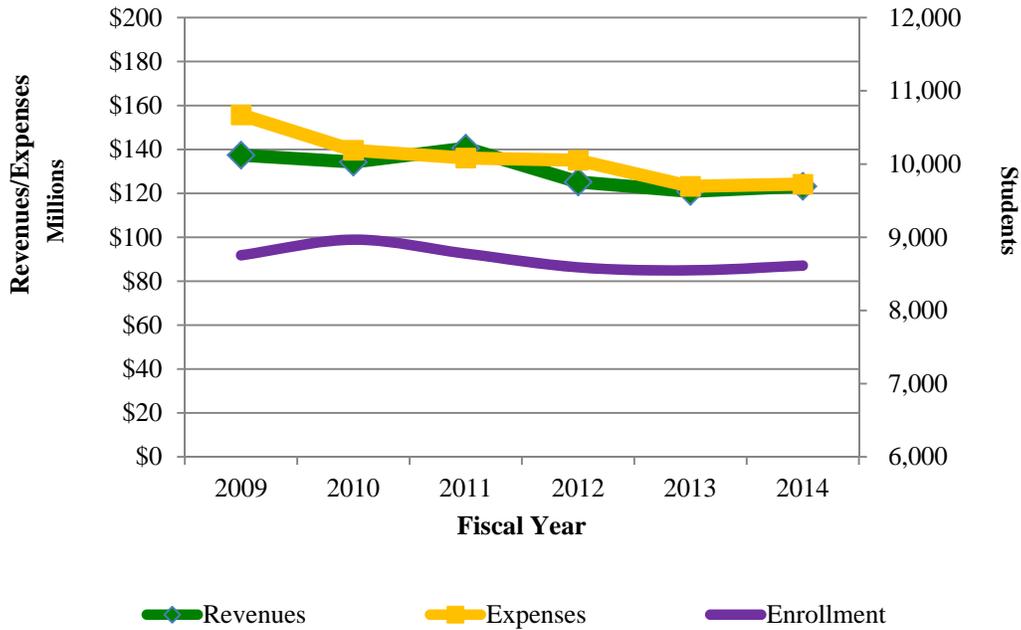
In analyzing the financial trends of ULM over the past six years, expenses have consistently exceeded revenues. The impact of the state funding reductions on ULM’s operating budget has been significant. In FY 2009, ULM received \$55.5 million from state appropriations, and in FY 2014 received only \$27.6 million from state appropriations. During that period, state funding was reduced by approximately 50%. While tuition revenues increased during this same period, this additional revenue was not enough to offset the reduction in state funding.

**Exhibit 1
Six-Year Revenue Trend**



Source: Fiscal Year 2009-2014 University of Louisiana at Monroe Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Years 2009-2014 University of Louisiana at Monroe Annual Fiscal Reports, as adjusted, and Board of Regents website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of ULM. The nature of the recommendations, their implementation costs, and their potential impact on the operations of ULM should be considered in reaching decisions on courses of action.

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

APPENDIX A: MANAGEMENT'S RESPONSE

UNIVERSITY OF LOUISIANA MONROE

December 9, 2014

Daryl G. Purpera, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-0397

RE: Information Technology Control Weaknesses

Dear Mr. Purpera:

This letter is our official response to the legislative auditor's reportable audit finding dated November 25, 2014.

RESPONSE: The University of Louisiana at Monroe (ULM) concurs with the audit findings and recommendations.

CORRECTIVE ACTIONS:

ULM has reviewed this finding under the direction of the Chief Business Officer and the Executive Vice President. The following issues will be addressed:

1) **Perform a periodic review of system access:**

ULM will perform an annual review of system access which will include a review of the IT job classifications and the list of documented exceptions as defined in the policy developed for corrective action #3.

The Vice Presidents will complete the review each year by July 1. The Vice Presidents will conduct the first review by July 1, 2015. Mr. Donnie Lynn, Data Base Administrator, will coordinate the review process.

2) **Revoke IT access to employees who are terminated:**

ULM will ensure that an employee's IT access is revoked immediately upon said employee's termination by developing a policy whereby the Office of Human Resources notifies the Computing Center when an employee's *Employee Exit and Checkout Form* has been completed.

This policy will be completed by March 1, 2015. Mr. Fred Baragona, Director of Human Resources, and Mr. Chance Eppinette, Director of Computing Center, will coordinate the policy development.

3) **Limit access to current employees to only access necessary to do their job duties:**

ULM will develop an employee IT classification system and the associated IT access required for their specific jobs. Any employee who has job duties requiring additional IT access outside of their IT

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classification must have each additional IT access documented and approved by the appropriate vice president.

This policy will be completed July 1, 2015. Mr. Donnie Lynn, Data Base Administrator, will coordinate the policy development.

4) **Document and monitor all IT changes:**

ULM will modify our existing IT ticketing system which currently handles the campus's routine IT requests. This modified IT ticketing system will be used to completely document all requests, reviews, testing, approvals and implementations for all IT changes.

This process and policy is expected to be implemented by February 1, 2015. Mr. Chance Eppinette, Director of Computing Center, will coordinate the modification of the software and the development of the associated policy.

5) **Regularly test and revise the disaster recovery plan:**

The existing IT Disaster Recovery Plan will focus on all critical business functions and be updated to reflect the December completion of our transition to a *Cloud* hosting environment for Banner. The updated IT Disaster and Recovery Plan will include provisions for annual review and testing.

The update of the ULM IT Disaster and Recovery Plan will be completed by May 1, 2015 and testing will be conducted annually thereafter. Mr. Chance Eppinette, Director of Computing Center, will be responsible for ensuring the disaster plan is revised and regularly tested.

6) **Address other security matters discussed with auditors:**

Other data classifications policies and internal security recommendations discussed with the auditors are being investigated and various implementations will be developed as needed; all will be completed by June 1, 2015.

Mr. Chance Eppinette, Director of Computing Center, will be responsible for coordinating these implementations and any accompanying policies.

Sincerely,



Stephen P. Richters
Executive Vice President

c: Dr. Bill Graves, Chief Business Officer
Ms. Sarah N. Walker, Controller
Mr. Chance W. Eppinette, Director Computing Center
Mr. Kirby Campbell, Director Internal Audit

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Monroe (ULM) for the period from July 1, 2012 through June 30, 2014, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements for the year ended June 30, 2014.

- We evaluated ULM'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 ULM.
- Based on the documentation of ULM's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain ULM account balances and classes of transactions to support our opinions on the System's financial statements.
- We compared the most current- and prior-year financial activity using ULM's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from ULM management for significant variances.

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

We did not audit or review the ULM's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. ULM's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.