

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MARCH 19, 2008

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

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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 has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Ten copies of this public document were produced at an approximate cost of \$24.10. 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 Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3611 or Report ID No. 07101849 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 Wayne “Skip” Irwin, Director of Administration, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 18, 2008

UNIVERSITY OF LOUISIANA AT LAFAYETTE
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Lafayette, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2007, we considered the University of Louisiana at Lafayette's internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the University of Louisiana at Lafayette's internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the University of Louisiana System by the University of Louisiana at Lafayette is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The university's accounts are an integral part of the University of Louisiana System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the University of Louisiana at Lafayette for the year ended June 30, 2006, we reported findings relating to unlocated movable property and control weaknesses over computer system access. The finding related to control weaknesses over computer system access has been resolved by management. The finding relating to unlocated movable property is addressed again in this letter.

Based on application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2007.

Misappropriation of University Funds

University parking fees were misappropriated. On March 29, 2007, the University of Louisiana at Lafayette (UL Lafayette) reported that sufficient information was obtained to arrest UL Lafayette's Director of Parking and Transit (Director) for felony theft of university funds. Based on work performed by UL Lafayette's police department and internal auditor, the estimated range of missing funds over a three-year period was between \$134,347 and \$220,139. Adequate controls would include a continuous record of parking tickets issued and the related amount of parking fees collected to ensure that a complete reconciliation could be performed at any time.

UL Lafayette has two paid parking lots that charge an hourly fee for parking. Fees are collected by parking lot attendants who issue pre-numbered ticket stubs for each entering vehicle. As the vehicle leaves, the exit time is recorded and the fee is manually calculated and collected. The amount paid is then written on the ticket. At the end of the business day, the fees are brought to the Parking and Transit Office in a locked money bag to be placed in the safe. The Director and the Parking and Transit accountant were the only two employees with access to the safe. A count of the monies collected would be performed on the following day. However, the completeness of parking lot tickets was not verified because a continuous record of parking tickets issued and the related amount of parking fees collected did not exist.

During the fall of 2006, UL Lafayette's internal auditor became aware of possible inconsistencies in amounts of monies collected at one of the university's paid parking lots. Procedures performed by the internal auditor identified sufficient evidence to bring the issue to the attention of the university's president and university police. On Friday, January 12, 2007, a meeting was held between university management and university police to discuss the issue, which resulted in a police investigation. After the investigation by university police, a warrant was issued on March 27, 2007, for the arrest of UL Lafayette's Director for allegedly violating Louisiana Revised Statute 14:67. The misappropriation occurred because of UL Lafayette's inability to determine actual parking fees collected along with management override of existing controls. In addition, these weaknesses allowed the funds to be taken without immediate notice. UL Lafayette terminated the Director on May 23, 2007.

UL Lafayette management should strengthen its controls over the collection of parking lot fees to include a process to properly account for the completeness of all parking lot tickets and related fees. In addition, management should continue to seek restitution from the former Director and the Office of Risk Management (Public Employees Blanket Bond). Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Additional Comment: Subsequent to management's response, the former director agreed to repay the university \$20,000.

Unlocated Movable Property

For the third consecutive year, UL Lafayette did not maintain adequate control over movable property as prescribed by state law. Louisiana Revised Statute 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code Title 34, Part VII, Section 313 states, in part, that efforts must be made to locate all movable property items for which no explanations are available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. At March 23, 2007, the university's LPAA certification date, UL Lafayette has 13,459 movable property items with an original cost of \$50,641,553.

During our tests of movable property, we noted that UL Lafayette's certification of annual property inventory identified 286 unlocated movable property items totaling \$643,083. Of that amount, items totaling \$9,471 were removed from the property records because they had not been located for three consecutive years. In addition, the amount of unlocated computers and computer-related equipment totaled \$413,966 or 64% of the total unlocated property reported.

UL Lafayette has not placed sufficient emphasis on controls over movable property. Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects UL Lafayette to noncompliance with state laws and regulations. Because of the nature of the services provided by UL Lafayette, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management should strengthen its internal control over movable property and strengthen procedures for conducting the physical inventory. Additional efforts should be made to locate missing property and develop new procedures to better secure the property. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the university. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the university 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, 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,



Steve J. Theriot, CPA
Legislative Auditor

DLC:EFS:PEP:dl

ULL07

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



University of Louisiana at Lafayette

Office of the President

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January 3, 2008

Université des Acadiens

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The University concurs with the Legislative Auditor's finding concerning the "Misappropriation of University Funds" where the theft of funds occurred because of UL Lafayette's inability to determine actual parking fees collected, along with management override of existing controls.

The University has installed new parking ticket equipment in the Zone 15 Pay Lot (Problem Lot) and is in the process of obtaining the equipment to install a system in the second pay lot. The new system installed produces a ticket with a unique identifier, time and date when a driver enters the parking area. To exit the parking area, the driver gives the ticket to the parking lot attendant and the ticket is scanned into a computer register that will then calculate the fee. Once the payment is received, the attendant tenders the transaction and inserts the printed ticket into the computer register. The information regarding the transaction is printed onto the ticket stub, as well as the master transaction record of the computer register. A receipt documenting the transaction is offered to the driver and the attendant files the printed ticket stub. The printed ticket stubs, monies and master transaction records are transferred to the Parking and Transit Office where the transactions are balanced daily. This new parking ticket system will give the University the ability to verify the parking tickets issued, the amount of parking fees that are collected and the capability of performing a complete reconciliation at any time. Also, once a ground line is installed to the parking attendant's booth, all the information generated by the computer register will be transmitted to another storage device that will provide the capability of off-site monitoring at any time. The individual responsible for the overall implementation of the new parking system is Mr. Simon Broussard, Director of Parking and Transit.

The University has sent an official request to the District Attorney's Office seeking full restitution of funds from the former Director. Also, the Office of Risk Management has informed the University that because they were not notified of the potential loss and provided a Proof of Loss in a timely manner, after the date of discovery, there will be no coverage in this matter.

The University will begin the implementation of two processes that will be used for special notification.

Mr. Steve J. Theriot, CPA

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January 3, 2008

If any individual has knowledge of possible suspicious occurrences and is unsure about how to proceed, they will be able to either place written information in a lock box or call a private, secure telephone number which will also have an answering system. The lock box and the telephone-answering system will be under the complete control of the University's Internal Auditor.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray Authement". The signature is fluid and cursive, with a large initial "R" and "A".

Ray Authement
President

jl



Office of the President

University of Louisiana at Lafayette

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December 17, 2007

Université des Acadiens

Mr. Steve Theriot
Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Legislative Audit Finding – Unlocated Movable Property

Dear Mr. Theriot:

This letter is in reference to the December 3, 2007 letter indicating an audit finding regarding unlocated movable property at the University of Louisiana at Lafayette.

The audit indicates that the University has significant amounts of movable property that could not be located. Our agency's reportable current year total of unlocated property is \$137,633, which represents a 99.97% located rate of \$50,641,533 total inventory. Please be aware that the total of \$643,083 referenced in your finding is a cumulative total from the past four years. These items are held in suspense location for four years as required by state law, LAC 34.VII.313.F.10. The University has always complied with the LAC code in its entirety.

In response to the finding that 64% of unlocated property reported are computers and computer-related equipment, this is a representative sample of the 60% total makeup of the University's movable assets.

The University concurs with the finding, and plans to take the following corrective actions:

1. Purchase requisitions require the signature of the designated user understanding that the University will enforce LAC 34:VII.305.E.
2. Anyone issued a laptop that becomes lost or stolen will not be issued a replacement until punitive damages are collected.
3. Custody receipts are required for all equipment taken for use off campus. Included in this receipt is enforcement of LAC 34:VII.305.E.
4. All new laptops purchased by the University have tracking abilities installed with software by Absolute Software Corporation, namely, Computrace LoJack for Laptops. Every laptop is tracked over a 24-hour period and if lost or stolen can be immediately located and/or disabled.

Mr. Steve Theriot
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December 17, 2007

In closing, the University is very proud of the fact that our located property percentage is 99.97% in this current year and 99.95% in the previous year. The University will continue to work diligently toward our goal of locating 100% of this property.

Sincerely,



Ray Authement
President

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