

NORTHWESTERN STATE UNIVERSITY  
UNIVERSITY OF LOUISIANA SYSTEM  
STATE OF LOUISIANA



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MANAGEMENT LETTER  
ISSUED JANUARY 9, 2008

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

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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**LEGISLATIVE AUDITOR**  
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December 3, 2007

**NORTHWESTERN STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Natchitoches, Louisiana

As part of our audit of the University of Louisiana System's financial statements for the year ended June 30, 2007, we considered Northwestern State University'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 Northwestern State University'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 Annual Fiscal Report of Northwestern State University is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. 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 Northwestern State University for the year ended June 30, 2005, we reported findings relating to unlocated movable property, the over-award of Federal Family Education Loans, scholarships for disadvantaged students awarded to ineligible students, satisfactory academic progress not met by transfer students, and deficiencies in the university's disaster recovery plan. These findings have been resolved by management.

Based on the 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.

**Leave Use Not Required**

Northwestern State University does not require certain employees to charge annual, sick, or compensatory leave if they are absent from duty but "on-call" during the regular workday. Failure to require all employees to use leave when not on duty during the workday violates the University of Louisiana System's leave policy and may constitute a

donation of public funds, which is prohibited by Article VII, Section 14(A) of the Louisiana Constitution of 1974.

The university has implemented an informal “on-call” policy that allows a select group of unclassified employees to either not report to their work stations or leave their work stations without taking leave. The policy allows this group of employees to be considered working (receiving pay and earning benefits) as long as they meet the following criteria:

- The employee can be contacted electronically at all times.
- The employee makes contact with his or her office at least once during the workday.
- The employee will be available as needed for consultation and when summoned by the appointing authority. If outside of his or her domicile, the employee is available to return to his or her work station within 24 hours at his or her own expense.

The University of Louisiana System (System) Policy Number F.S.III.XX.-1, Section III (A) states, “For purposes of leave, appointing authorities shall establish work weeks of 40 hours per week for full-time employees. The purpose of establishing the 40-hour week is to provide appointing authorities a system of accounting for and the taking of leave.” Section V (G)(2) of this same policy states, “Except when given special advance approval for absence from duty, an employee must be at his work station for the day in order to be classified as on duty. A work station normally will be one’s office or elsewhere on the employer’s premises or at other locations while representing the employer.”

The university implemented the “on-call” policy as an accommodation for 22 unclassified employees (president, vice presidents, deans, athletic director, and athletic coaches) because the System does not allow these individuals to earn compensatory leave when conducting university business outside their normal hours of work. However, the “on-call” policy allows these 22 employees to be paid for time that may not be worked and may be considered a constitutionally prohibited donation of public funds. In addition, it provides the opportunity for these employees to conduct activity during university business hours which could violate other state laws or regulations for which the university could be held liable.

Northwestern State University should immediately discontinue the “on-call” policy and should require all its employees to take leave when absent from duty in accordance with the System’s leave policy. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

**Excessive Number of Paid Holidays  
Granted to University Employees**

Northwestern State University violated state law when it allowed approximately 576 classified and unclassified employees to receive 15 paid holidays in a calendar year instead of 14 which is authorized by state law. Louisiana Revised Statute 1:55(F) states that “Each institution of higher education in the state, through a representative appointed by it, shall designate a maximum of fourteen legal holidays per calendar year to be observed by all of its employees.” Article VII, Section 14 of the 1974 Louisiana Constitution states that funds, credits, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. The additional holiday cost the university approximately \$80,000 and directly impacts each employee’s leave balance and the university’s financial statements.

Management elected to move a legal holiday declared by the governor on January 2, 2007, to December 29, 2006, to accommodate the university’s calendar. This action increased the number of holidays observed by the university during calendar year 2006 to 15 which exceeds the amount allowed by law and resulted in the following:

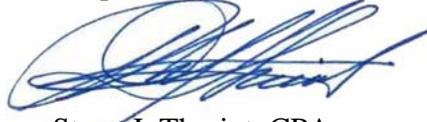
- The university violated the state constitution (which prohibits donating public funds) by granting 576 employees an additional paid holiday.
- The university’s financial statements relating to the liability for compensated absences and future termination pay expense could be misstated since these employees were not required to charge leave for the additional holiday granted.

Northwestern State University should designate no more than 14 paid holidays each calendar year as authorized by state law. Furthermore, the university should consider equitable methods to recover the cost of granting the additional paid holiday for calendar year 2006. Management concurred with the finding and recommendations and outlined a plan of corrective action (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 Northwestern State 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. The findings relating to the university’s compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of Northwestern State 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

BAC:WJR:THC:dl

NSU07

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

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# NORTHWESTERN STATE University of Louisiana

Office of the President

102 A.A. Fredericks Annex  
Natchitoches, LA 71497

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October 22, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
1600 North Third St.  
Baton Rouge, LA 70804-9397

RE: Audit Finding Response

Dear Mr. Theriot:

In response to the audit finding from the Single Audit of Louisiana relating to Leave Use Not Required, the University concurs with the finding and submits the following:

**Finding: Leave Use Not Required**

Northwestern State University concurs with the audit finding, Leave Use Not Required. The reasons we concur are: (1) the University of Louisiana System Policy Number F.S.III.XX.-1, Section III (A) states, "For purposes of leave, appointing authorities shall establish work weeks of 40 hours per week for full-time employees; (2) Section V (G)(2) of this same policy states, "Except when given special advance approval for absence from duty, an employee must be at his work station for the day in order to be classified as on duty. A work station normally will be one's office or elsewhere on the employees's premises or at other locations while representing the employer"; (3) the staff of the Board of Supervisors for the University of Louisiana referred the University to Executive Order KBB 06-30 (Rules and Policies on Leave for Unclassified Service) as a guide for policies and procedures for taking leave; and (4) the Executive Order states that unclassified employee "shall apply for use of and use annual leave, compensatory leave, or leave without pay when unavailable to serve their appointing authority as a result of voluntary or involuntary conditions, such as personal vacations or trips unrelated to the . . . employees duties". The University took corrective action when notified by the System staff after their review of our "on-call" policy and their referral to the Executive Order KBB 06-30. Since the Executive Order states the "the use of annual leave, compensatory leave or leave without pay must be taken if the employee is away from their work station as a result of personal vacations, trips or activities unrelated to the employee's responsibilities, the University immediately discontinued using its informal "on-call" policy as an accommodation

**for those employees (president, vice presidents, deans, athletic director, and athletic coaches) who do not earn compensatory leave when conducting university business outside their normal hours of work. It will be the responsibility of the supervisors of those non-compensatory leave earning employees to monitor and make sure the respective employee(s) take the appropriate leave when they are away from their normal workstation and not performing their assigned duties.**

**Corrective action plan: The corrective action mentioned above was implemented immediately.**

**The contact person is:**

**Cecil Knotts  
Northwestern State University  
Director of Human Resources  
St. Denis Hall  
Natchitoches, LA 71497  
(318) 357-5965**

**Sincerely,**



**Randall J. Webb  
President**

**RJW/pc**



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Office of the President

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October 22, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
1600 North Third St.  
Baton Rouge, LA 70804-9397

RE: Audit Finding Responses

Dear Mr. Theriot:

In response to the audit findings from the statewide audit relating to Excessive Number of Paid Holidays Granted to University Employees, the university concurs with the finding and submits the following;

**Finding: Excessive Number of Paid Holidays Granted to University Employees**

The university mistakenly moved a legal holiday declared by the governor from January 2, 2007, to December 29, 2006, to accommodate the University's calendar, inadvertently violating the calendar year constraints of Revised Statute 1:55(F), by observing 15 paid holidays instead of the 14 allowed. The University's calendar started the spring semester on January 2, 2007, so employees did not work but were paid for December 29, 2006 and worked on January 2, 2007, a legal holiday. This reduces the number of scheduled paid holidays for employees from 14 legal holidays to 13 that will be observed and compensated for in calendar year 2007.

The University will prevent this from happening in the future by requiring at least two people, the Director of Human Resources and the Payroll Supervisor, validate the number of scheduled paid holidays before they are submitted for approval.

The Vice President for Business Affairs, Carl Jones, is responsible for implementation of corrective actions.

Sincerely,

Randall J. Webb  
President

RJW/pc