

SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED MARCH 18, 2020

**LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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DIRECTOR OF FINANCIAL AUDIT
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Southeastern Louisiana University



Audit Control # 80190109

March 2020

Introduction

As a part of our audit of the University of Louisiana System (System) and the Single Audit Report of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at Southeastern Louisiana University (Southeastern) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of Southeastern's internal controls over financial reporting and compliance; and determine whether Southeastern complied with applicable laws and regulations.

Results of Our Procedures

Current-year Findings

Overpayment of Student Financial Assistance

Southeastern did not have a process in place to determine if students were eligible to receive student financial assistance, resulting in noncompliance with federal regulations. Using Institutional Student Information Reports (ISIR), we identified a population of 347 students who may have exceeded or were close to exceeding the aggregate loan limits during the period July 1, 2016, through December 31, 2019. Our review disclosed that 94 students with subsidized and unsubsidized loans were allowed to borrow \$552,647 in excess of the aggregate loan limits for Federal Direct Student Loans (CFDA 84.268). In addition, some of these students incorrectly received payments totaling \$34,123 in Federal Pell grants (CFDA 84.063) and \$3,000 in Federal Perkins Loans (CFDA 84.038). As of the date of this report, Southeastern has returned \$29,898 to the U.S. Department of Education due to the noncompliance.

Federal regulations set aggregate limits for subsidized and unsubsidized loans and a student is not eligible to receive funds in excess of these limits. Southeastern's Financial Aid staff did not upload the appropriate files from the National Student Loan Data System (NSLDS) into PeopleSoft causing the information related to aggregated loan amounts to be inaccurate. Also, counselors did not have a general understanding of ISIR codes and how to review information in the PeopleSoft Student module and in NSLDS.

Good internal controls require the university to review students' payment information to ensure that students will not exceed the annual or aggregate loan limits in determining if students are

eligible for Federal Direct Loans, are not in default, and do not owe an overpayment on a grant or loan. Failure to determine eligibility status prior to awarding loans or grants may result in noncompliance with federal regulations and increases the likelihood of disallowed federal funds that Southeastern may be required to return to the federal grantor.

Southeastern should design and implement controls to ensure that students are eligible for all financial assistance received. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Inaccurate Reporting of Capital Assets

Southeastern did not accurately report construction costs for the Computer Science and Technology building as of June 30, 2018, which caused an \$18.6 million overstatement of the building. As a result, a prior-period adjustment in the current year was necessary to correct capital assets at June 30, 2018.

Although a large increase of \$23.4 million in net payments was reported, Southeastern did not reconcile the net payments on the Division of Administration's Office of Facility Planning and Control (OFPC) construction progress reports for the building as of June 30, 2018, or perform additional procedures to ensure the cost of the building (net payments) was reasonable and accurate. OFPC subsequently corrected the report; however, the corrections were not discovered timely to adjust capital assets in the fiscal year 2018 annual fiscal report.

Management should establish controls to ensure that progress reports from OFPC are timely reconciled and reviewed for accuracy and reasonableness to determine if the building and construction costs are properly reported in the annual fiscal report. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, page 3).

Inadequate Controls over Reporting Loan Program Information in the Schedule of Expenditures of Federal Awards

Southeastern submitted inaccurate loan program information in the Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2019. The university incorrectly included Federal Direct Loans, totaling \$47,143,353, on the Loan Program Information Schedule used to prepare a SEFA note disclosure. In addition, the balance of Federal Perkins Loan – Federal Capital Contributions was overstated by \$268,634 since the university incorrectly reported the prior-year balance. Failure to properly compile and review the SEFA information before submitting it to the Office of Statewide Reporting and Accounting Policy (OSRAP) for inclusion in the State's Single Audit Report increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Good internal control over financial reporting should include adequate procedures to record, process, review, and transmit financial data needed to prepare accurate and complete SEFA information. Southeastern staff did not follow OSRAP's instructions for the Loan Program Information Schedule during its preparation of the SEFA. Furthermore, management did not perform an adequate review of the SEFA before it was submitted to OSRAP.

Management should ensure proper controls over the financial reporting process have been designed and implemented effectively. In addition, management should perform a thorough review of the SEFA information to identify and correct errors before submitting to OSRAP. Management concurred in part with the finding and noted that incorrect inclusion of the Federal Direct Loans amount submitted to OSRAP for the SEFA note disclosure had no material impact because the SEFA note disclosure excludes Federal Direct Loans. Management also noted it will strengthen the documentation of the SEFA preparation and review process (see Appendix A, page 4).

Additional Comments: The finding is not reporting on OSRAP's controls to detect incorrect inclusion of amounts in the SEFA note disclosure at the state level, but controls at Southeastern to ensure accurate information is submitted.

Financial Statements – University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2019, we considered Southeastern's internal control 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 – Accounts Payable and Accruals, and Bonds Payable

Net Position – Net Investment in Capital Assets, Restricted – Nonexpendable, Restricted – Expendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Student Tuition and Fees net of Scholarship Allowance, Net Auxiliary Revenues, State Appropriations, and Federal Nonoperating Revenues

Expenses – Educational and General, and Auxiliary Enterprises

Based on the results of these procedures on the financial statements, we reported a finding related to Inaccurate Reporting of Capital Assets, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance – Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, we performed procedures as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on information submitted by Southeastern to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA).

Based on the results of these Single Audit procedures, we reported a finding related to Inadequate Controls over Reporting Loan Program Information in the SEFA. This finding will also be included in the Single Audit for the year ended June 30, 2019. In addition, Southeastern's information submitted for the preparation of the state's SEFA, as adjusted, is materially correct.

Other Procedures

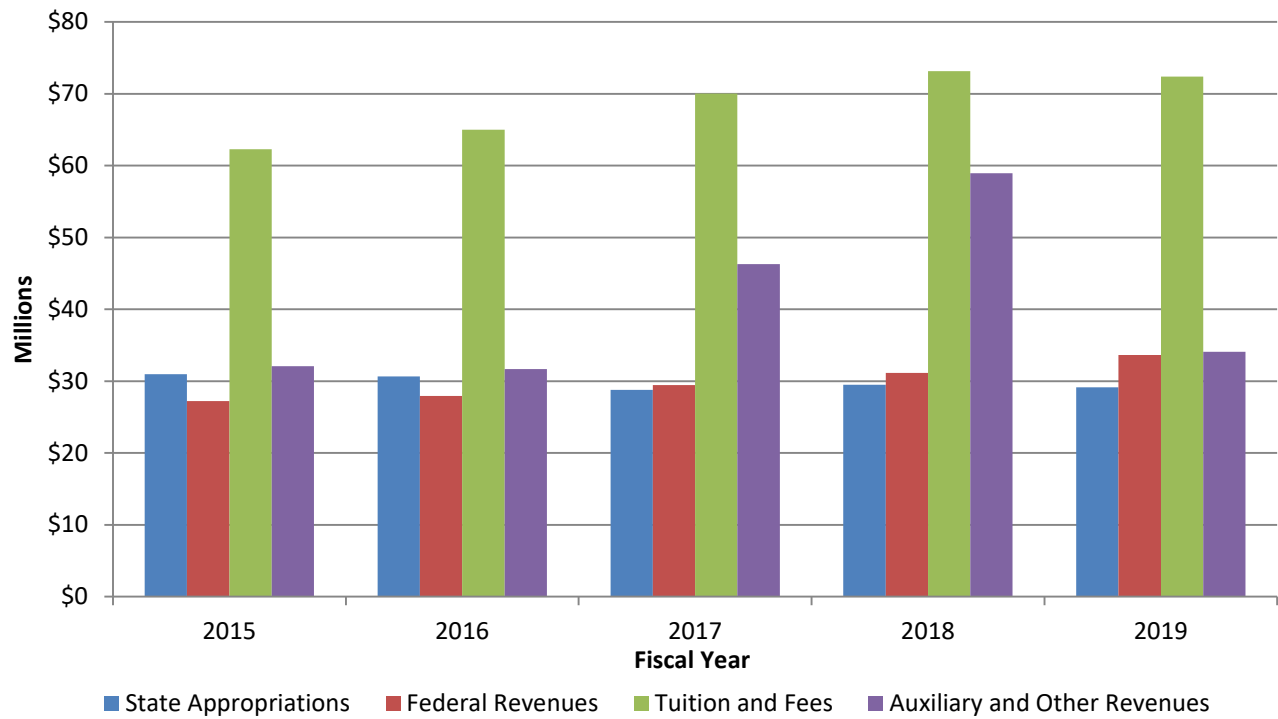
In addition to the System and Single Audit procedures noted above, information came to our attention during the engagement which required us to perform procedures related to certain programs that are a part of the Student Financial Assistance Cluster, a non-major federal program for the period under audit. Based on the results of these procedures, we reported a finding related to Overpayment of Student Financial Assistance, as described previously. This finding will also be included in the Single Audit for the year ended June 30, 2019.

Trend Analysis

We compared the most current and prior-year financial activity using Southeastern's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Southeastern's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

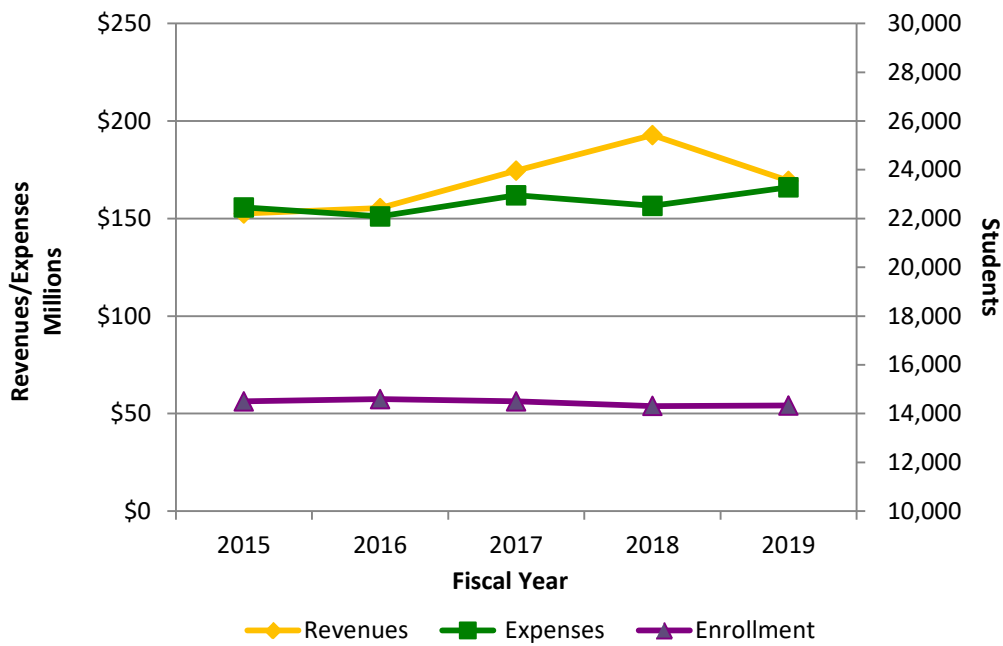
In analyzing financial trends of Southeastern over the previous five fiscal years, student enrollment and university expenses have remained somewhat steady. Although overall revenues decreased during fiscal year 2019, a majority of the decrease was due to an overstatement of capital appropriations in fiscal year 2018.

Exhibit 1 Five-Year Revenue Trends



Source: 2015-2019 Southeastern Annual Fiscal Reports

Exhibit 2 Fiscal/Enrollment Trends



Source: 2015-2019 Southeastern Annual Fiscal Reports

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of Southeastern. The nature of the recommendations, their implementation costs, and their potential impact on the operations of Southeastern should be considered in reaching decisions on courses of action. The finding related to compliance with laws and regulations should be addressed immediately by management.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, stylized initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LMF:ETM:RR:EFS:aa

SOUTHEASTERN2019

APPENDIX A: MANAGEMENT'S RESPONSES



March 3, 2020

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

RE: Overpayment of Student Financial Assistance

Dear Mr. Purpera:

I am in receipt of a letter dated February 20, 2020 from Edward Martin, Audit Manager, regarding an audit finding related to overpayments of student financial assistance. The University concurs with this finding.

The University agrees that sufficient controls were not in place to ensure students were eligible to receive student financial assistance. Specifically, controls were not in place to ensure aggregate loan limits were not exceeded which may cause students to be ineligible for financial aid. When the issue was initially identified, the University worked diligently to identify students enrolled in the Fall 2019 semester who were potentially impacted. As such, and as noted in the report, the University returned \$29,898 in student loans allowing currently enrolled students to regain eligibility for the Fall 2019 semester.

The University identified several areas that contributed to students over borrowing and subsequently becoming ineligible for future aid. The areas and corrective active plans are listed below:

1. Specific PeopleSoft screens were not updated timely – National Student Loan Data System (NSLDS) files that provide the aggregate loan limits were not uploaded timely into PeopleSoft, Southeastern's current Enterprise Resource Planning System (ERP). As a result, Financial Aid Counselors were manually calculating aggregate loan limits. The NSLDS file load was corrected and now runs nightly. In conjunction with this process, Financial Aid staff were also trained to access these totals in PeopleSoft.
2. Inadequate training of staff - Over the course of the past few years, the University has experienced high staff turnover in the Financial Aid area, which contributed to training deficiencies. To ensure a stabilized and well-trained staff, the following actions will take place:
 - a. To ensure appropriate oversight, the University will seek to hire a new Director of Financial Aid due to the resignation of the current director. The position will become vacant on March 13, 2020 and will be advertised no later than Friday, March 6, 2020.

- b. To assist during the interim, the University will contract with Financial Aid Services (FAS). FAS is a leader in providing financial aid resources throughout the United States. A contract is currently being negotiated and is expected to be in place on or before April 1, 2020. The initial contract will provide interim staffing support. The University is also investigating the potential use of additional services to include such support as a review of policies, procedures and controls to ensure compliance with various financial aid programs.
 - c. Financial Aid staff were not trained to properly navigate NSLDS to view and access aggregate loan information. Training was performed on July 30, 2019 with Assistant Directors and Financial Aid Counselors. A second training was held in February of 2020 to provide an additional review as new counselors were hired. Moving forward, in advance of aid year packaging, counselors will have a training to review the information relative to aggregate loan limits.
3. Lack of controls to ensure students are eligible for financial assistance – Previously, Financial Aid Counselors had access to the “Invoke Professional Judgement” panel and functionality in PeopleSoft which could enable a manual override of an over award. This access has been revoked and is now limited to the Chief Enrollment Management Officer, the Director of Financial Aid, and the Assistant Directors of Financial Aid. As a result, Financial Aid Counselors must have a second level of approval when manually overriding an award.

The University continues to work closely with both the Louisiana Legislative Auditors Office and U.S. Department of Education to fully address this issue. Updates will be provided to the U.S. Department of Education based on the work of the Legislative Auditors. Upon final guidance from the U.S. Department of Education, funds will be returned to the appropriate agency and/or program.

It is the responsibility of the Chief Enrollment Management Officer to ensure all action items identified are completed as outlined and documented accordingly.

Sincerely,



Sam Domiano

Vice President for Administration & Finance



September 11, 2019

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

Re: Inaccurate Reporting of Capital Assets

Dear Mr. Purpera:

I am in receipt of a letter dated August 28, 2019 from Edward Martin, Audit Manager, regarding an audit finding relating to inaccurate reporting of capital assets. The University concurs in part with this finding.

The capital asset in question is associated with a state capital outlay project to construct a Science & Technology Building on the University's campus. The Division of Administration's Office of Facility Planning and Control (OFPC) had complete oversight of the project, including financial oversight. OFPC holds all source data and the University holds no primary data associated with the project.

As such, when completing financial reports, the University must use OFPC progress reports, which are published by OFPC and made public on OFPC website. The use of OFPC progress reports in financial reporting has been confirmed as a consistent practice of other state agencies. These same reports previously have been used and accepted as support in audits.

When compiling information for the 2019 annual fiscal reports, the University identified an \$18.6 million discrepancy between the 2018 and 2019 OFPC progress reports. After researching further and after several discussions with OFPC staff, the University was informed that an error in the 2018 report had been previously identified by another state agency, that a corrected report was issued in August 2018, and that the University had been notified at that time. It was later confirmed, however, that while a new report had been issued, there was no record of any notification ever being sent to the University. If the University had been notified in August 2018, the building would have been recorded correctly on the 2018 annual fiscal report.

The University recognizes the limitations to reconcile OFPC financial records given that OFPC is the primary source for all data; however, the University also recognizes the importance of some form of validation that the information reported appears reasonable. As such, the University will begin reconciling the OFPC progress report to the original, legislatively-approved Capital Outlay budget, as amended. A comparison of the expenditures to the budget for reasonableness will also be performed. The University's Controller will be responsible for ensuring these controls are performed.

If you have any questions or need additional information, please feel free to contact me at (985)549-2282.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sam Domiano'.

Sam Domiano
Vice President for Administration & Finance



October 14, 2019

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

Re: Inaccurate Controls over Reporting Loan Program Information
in the Schedule of Expenditures of Federal Awards

Dear Mr. Purpera:

I am in receipt of a letter dated September 30, 2019 from Edward Martin, Audit Manager, regarding an audit finding related to inaccurate controls over reporting loan program information in the schedule of expenditures of federal awards. The University concurs in part with this finding.

The Schedule of Expenditures of Federal Awards (SEFA) is comprised of all federal awards received and expended by the University. The Office of Statewide Reporting and Accounting Policy (OSRAP) requires that the University prepare the SEFA in compliance with federal regulations and OSRAP guidance. As a part of these instructions, the University must prepare the Loan Program Information Schedule which, at the state level, is included as a note to the SEFA. Specific to the finding, the University offers the following:

- The University's SEFA is correct as reported to OSRAP. The inclusion of Federal Direct Loans on the Loan Program Information Schedule would not have caused the SEFA, and more specifically Note E, to be incorrectly reported in the State's Single Audit report because Note E excludes the Federal Direct Loan program. In other words, because the amount of Federal Direct Loans are not included in Note E, the incorrect inclusion of the Federal Direct Loans in the Loan Program Information Schedule is an error that does not affect the accuracy of the SEFA.
- The incorrectly reported amount related to the Federal Perkins Loan program is the result of a keying error. The University inadvertently included the value of the awards expended under the loan program instead of the year-end balance. The supporting documentation had the correctly calculated year-end balance.

Since the incorrectly reported amounts would not have caused a misstatement of the SEFA, and would have no material impact on Note E as previously stated, the University does not concur that this should be a reportable finding. The University recognizes that the SEFA, including all schedules, should be correct and will strengthen the documentation of the SEFA preparation and review processes. The University's Controller will be responsible for ensuring the implementation of these improved controls.

If you have any questions or need additional information, please feel free to contact me at (985)549-2282.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sam Domiano', is written over a light blue horizontal line.

Sam Domiano
Vice President for Administration & Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Southeastern Louisiana University (Southeastern) for the period from July 1, 2018, through June 30, 2019, 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 and the Single Audit Report of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated Southeastern'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 Southeastern.
- Based on the documentation of Southeastern's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using Southeastern's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Southeastern's management for significant variances.

In addition, we performed procedures related to certain programs that are a part of the Student Financial Assistance Cluster, a non-major program for the period under audit. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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

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