



Report Highlights

Southeastern Louisiana University

University of Louisiana System

DARYL G. PURPERA,
CPA, CFE

Audit Control # 80120099
Financial Audit Services • January 2013

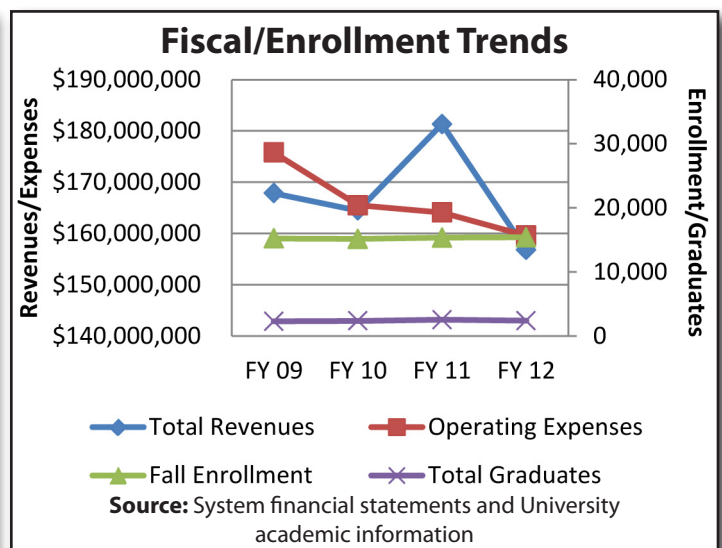
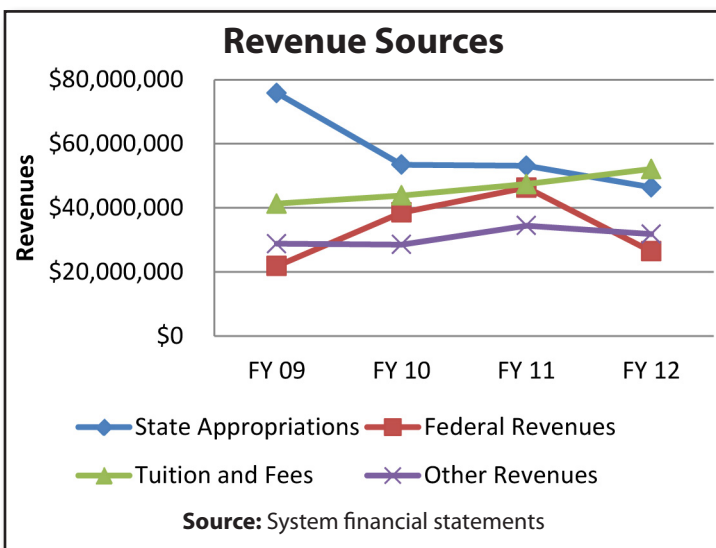
Why We Conducted This Audit

We conducted certain audit procedures at Southeastern Louisiana University (University) as part of the University of Louisiana System's (System) financial statement audit for the year ended June 30, 2012, and to provide accountability over public funds.

What We Found

We considered the University's controls, compliance with laws, and financial reporting for financial accounts such as cash and cash equivalents, investments, capital assets, bonds payable, net assets, operating and nonoperating revenues, and expenses. We also analyzed the University's revenues, expenses, tuition, fees, enrollment, and graduates over the last four years. Our procedures disclosed the following:

- Financial information that was submitted for the System's financial statements was fairly presented.
- The University's internal audit department determined that a Campus Police employee fraudulently claimed \$9,126 in overtime pay. The employee's supervisor, the Director of University Police, did not verify the accuracy of the employee's overtime before approving the time sheets and signed blank Request for Additional Time forms, which allowed the employee to falsify overtime hours. The employee resigned and the Director has been replaced.
- We determined that the athletic department failed to timely reconcile athletic ticket sales totaling \$326,838 for all sports; parking revenues totaling \$1,400; and all media guides/program sales totaling \$3,781. Untimely reconciliations increase the risk that misstatements and/or misappropriations could occur and not be detected timely. University's management responded that overall cash controls will be strengthened, including timely reconciliations.
- As shown below, state appropriations have declined and if this trend continues, the University's operations may become more dependent on increasing tuition and fees.



SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
JANUARY 16, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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 Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Two copies of this public document were produced at an approximate cost of \$8.64. 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.la.gov. When contacting the office, you may refer to Agency ID No. 3576 or Report ID No. 80120099 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain audit procedures at Southeastern Louisiana University (University) as part of the University of Louisiana System's (System) financial statement audit for the year ended June 30, 2012, and to provide accountability over public funds for the period July 1, 2011, through June 30, 2012.

We considered the University's controls, compliance with laws, and financial reporting for financial accounts such as cash and cash equivalents, investments, capital assets, bonds payable, net assets, operating and nonoperating revenues, and expenses. We also analyzed the University's revenues, expenses, tuition, fees, enrollment, and graduates over the last four years. Our procedures disclosed the following:

- Financial information relating to these accounts was fairly presented.
- The University's internal audit department determined that a Campus Police employee fraudulently claimed \$9,126 in overtime pay. The employee's supervisor, the Director of Campus Police, did not verify the accuracy of the employee's overtime before approving the time sheets and signed blank Request for Additional Time forms, which allowed the employee to falsify overtime hours. The employee resigned and the Director has been replaced.
- We determined that the athletic department failed to timely reconcile athletic ticket sales totaling \$326,838 for all sports; parking revenues totaling \$1,400; and all media guides/program sales totaling \$3,781. Although football, basketball, and baseball games started in September 2011, November 2011, and February 2012, respectively, the University did not complete its athletic ticket sales reconciliations until the end of May 2012. Untimely reconciliations increase the risk that misstatements and/or misappropriations could occur and not be detected timely. University's management responded that athletic department policies and procedures will be strengthened and additional cash handling training and periodic reviews by the University's internal auditor will occur.
- State appropriations have declined and if this trend continues, the University's operations may become more dependent on increasing tuition and fees.

This report is a public report and has been distributed to state officials. We appreciate the University's assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 12, 2012

**SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**
Hammond, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the University of Louisiana System's (System) financial statements for the fiscal year ended June 30, 2012, we conducted certain procedures at Southeastern Louisiana University (University) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of the university'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 the University.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the University's annual fiscal reports and/or system-generated reports and obtained explanations from University management for any significant variances.
- Our auditors reviewed the status of the finding relating to noncompliance with procurement credit card and computer equipment policies identified in the prior management letter, issued January 4, 2012. The prior year finding has been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting the University's account balances and classes of transactions material to the System's financial statements as follows:

Statement of Net Assets - Cash and cash equivalents, investments, amounts due from state treasury, capital assets, bonds payable, net assets invested in capital assets net of related debt, restricted net assets, and unrestricted net assets

Statement of Revenues, Expenses, and Changes in Net Assets - Student tuition and fees, grants and contracts revenues, auxiliary enterprise revenues, state appropriations, federal nonoperating revenues, education and general expenses, and auxiliary enterprise expenses

We also tested the University's compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

The Annual Fiscal Report of the University was not audited or reviewed by us, and, accordingly, we do not express an opinion on this report. The University's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. The findings included in this management letter are required to be reported by *Government Auditing Standards*.

Weaknesses in Controls Allow Payroll Fraud

The University's internal auditor disclosed in a report dated July 5, 2012, that an employee with Campus Police admitted to falsifying her time sheets and fraudulently claimed \$9,126 in overtime pay.

The internal auditor's report disclosed the following:

- Campus Police's Administrative Supervisor 2 submitted time sheets indicating she worked 508.5 hours of overtime on 107 days; time sheets for 67 of the 107 days were improperly adjusted manually for time claimed for missed punches. The University requires employees to clock in and clock out electronically through the LEO TimeCentre timekeeping application. Any time not entered is considered a missed punch and should be entered in a missed punch log, approved by the employee's supervisor, and kept by the timekeeper. The Administrative Supervisor 2 resigned before the internal auditor's investigation commenced.
- The Director of University Police did not verify the accuracy of the Administrative Supervisor's overtime before approving her time sheets, and he signed blank Request for Additional Time forms, which allowed the employee to falsify the overtime hours claimed. The Director stated he believed it was not reasonable for him to review 34 employees' and 20 student workers' time sheets. In addition, the Police Sergeant, who was the timekeeper, did not compare the Administrative Supervisor's time sheets to the missed punch log entries. The Director of University Police has been replaced.

The former Director of University Police and the Police Sergeant circumvented the University's established policies and procedures by failing to review time sheets and comparing them to the missed punch log. Failure to follow the University's time and attendance policies and procedures resulted in fraudulent time sheets claiming \$9,126 in overtime pay during fiscal years 2011 and 2012 and increases the risk that additional misappropriations of the University's assets may occur and not be detected timely. Good

internal controls require that supervisors and timekeepers follow established policies and procedures designed to ensure employees are paid only for hours actually worked, including overtime, and to ensure that all overtime is approved.

The University should establish controls to ensure Campus Police staff do not circumvent the university's policies and procedures regarding payroll and timekeeping activities. In addition, management should seek restitution of the \$9,126. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages A.1-A.2).

Failure to Reconcile Athletic Department Cash Collections

The University's athletic department failed to timely reconcile athletic ticket sales totaling \$326,838 for all sports; parking revenues totaling \$1,400; and all media guides/program sales totaling \$3,781. Although football, basketball, and baseball games started in September 2011, November 2011, and February 2012, respectively, the University did not complete its athletic ticket sales reconciliations until the end of May 2012.

Our review of athletic ticket sales disclosed the following:

- **Football**
 - We identified football ticket sales recorded in the general ledger (GL) totaling \$223,699, which represents cash deposited and which was \$4,744 less than sales based on TicketReturn Event (TRE - the University's event ticketing application) reports dated January 10, 2012.
 - On May 3, 2012, the athletic department submitted a report after refunding tickets totaling \$2,375, which reduced the difference to \$2,369. The refunds consisted of a \$2,300 refund for Victory Club tickets not used and a \$75 refund for an individual's season ticket. The department subsequently refunded an additional \$2,300 for two Victory Club ticket holders who, according to the ticket director, had not paid for or used their tickets. However, we determined the tickets were used. The athletic department has requested payment from both ticket holders and has received payment from one. The net difference (shortage) after all refund adjustments was \$69.
 - Our review of football tickets also disclosed the athletic department gave the University's faculty and staff excess discounts on their season tickets totaling \$173.

- Men's and Women's Basketball
 - We identified basketball ticket sales recorded in the GL totaling \$26,615, which represents cash deposited and which was \$765 less than sales based on TRE reports. The athletic department's explanation for the difference was that season ticket discounts totaling \$741 were not recorded in the TRE. The net difference (shortage) after the adjustment was \$24.
- Baseball
 - We identified baseball ticket sales recorded in the GL totaling \$63,135, which represents cash deposited and which was \$2,030 less than sales based on TRE reports. Subsequently, the athletic department requested that the controller's office set up single game and season ticket receivables totaling \$1,890 for sales posted in the TRE but not provided timely to the controller's office. The net difference (shortage) after the adjustment was \$140.
- Other Sports
 - Two deposits totaling \$336 for softball games played on April 13-14, 2012, were not deposited until May 29, 2012. The athletic department stated the deposits were lost in the accounting technician's office. The errors were found during the May 2012 reconciliations.
 - For volleyball, the athletic department posted sales to wrong games, though overall volleyball sales were not affected. The errors were found during the May 2012 reconciliations.
- Parking
 - Parking revenues recorded in the GL totaled \$1,400. The athletic department did not reconcile parking monies received for tailgating at football games, and we are unable to determine if all parking receipts have been deposited and recorded in the GL.
- Media Guides/Program Sales
 - Media guide/program sales recorded in the GL totaled \$3,781. The athletic department reconciled sales for only football. Sales for other sports were not reconciled. We are unable to determine if all media guide/program sales receipts have been deposited and recorded in the GL.

The University's athletic department failed to adhere to existing university policies and procedures for cash collections and reconciliations. Failure to deposit funds timely and reconcile cash receipts increases the risks that misstatements and/or misappropriation of University assets could occur and not be detected timely. Good internal controls require that cash receipts be reconciled timely to ensure that revenues are properly recorded and the risk that misstatements and/or misappropriation of University assets could occur and not be detected timely is reduced.

Management should determine if its cash collection, deposit, and reconciliation policies in the athletic department should be updated. Management should then communicate the policies and procedures to all athletic department staff and monitor the cash collection and reconciliation process to ensure cash is deposited and athletic ticket sales are reconciled timely. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages A.3-A.4).

The recommendations in this letter represent, in our judgment, those which are most likely to bring about beneficial improvements to the operations of the University. The nature of the recommendations, their implementation costs, and the potential impacts 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, the System, 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

LMF:CGEW:EFS:THC:ch

SLU 2012

APPENDIX A

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



September 19, 2012

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

Re: Weaknesses in Controls Allow Payroll Fraud

Dear Mr. Purpera:

I am in receipt of a letter dated September 5, 2012 regarding an audit finding relating to weaknesses in internal controls allowing for payroll fraud of a university employee within the University Police Department. The University concurs with this finding.

The payroll fraud which was the subject of the investigation was made possible because the Director of University Police, in direct contravention of university policy, failed to provide the required management oversight of payroll and timekeeping activities in the University Police Department. The director's last day of employment was July 24, 2012, and an Interim Director of University Police was appointed effective July 25, 2012.

In addition to the above, the following actions have been taken in response to this finding:

- Restructuring of Timekeepers permissions and responsibilities: The Interim Director of University Police has reorganized the timekeeping responsibilities in the department and assigned the timekeeping responsibilities for the Parking Division staff to another employee. This change reduced the number of employees the single timekeeper was responsible for and resulted in an increase in accuracy and accountability. This change became effective beginning with the payroll ending July 21, 2012.
- Training on timekeeping policies and procedures: The Interim Director of University Police met with the Payroll Office on August 2, 2012 and reviewed the proper procedures associated with the timekeeping function to include the approval of leave. In addition, each supervisor within the department has been trained in this area. Each supervisor then met with their respective subordinates to discuss

timekeeping procedures and expectations. This training was completed during the month of August, 2012.

- Review of current timekeeping policies: The Vice President for Administration and Finance has met with the Internal Auditor and the Controller to discuss any modifications to the existing policy that could provide greater controls. This review has been expanded to include other staff including staff in the Payroll Office. Once feedback is obtained changes will be recommended to the President's staff for approval. The Vice President for Administration and Finance will be responsible for submitting these recommendations as appropriate. A revised policy will be implemented on or before October 31, 2012.
- Restitution: In an effort to secure full restitution, all appropriate offices were notified including the District Attorney's office. The State Police have also communicated with the Internal Auditor regarding the investigation. A claim was also filed with the University's insurance provider (Claim #3462012). A payment for this claim was issued on 08/01/12 in the amount of \$8,126.29 which covers the amount of the loss, less a \$1,000 deductible. The University will continue to pursue any opportunities for full restitution.

It is also important to note that, as a part of all internal audits, the Office of Internal Audit will check to insure that all offices/departments are maintaining payroll documentation in an appropriate manner. In addition, the University is working to implement a new time and labor module as a part of the University's ERP, PeopleSoft. The new system will provide increased controls and greater accountability through enhanced tracking capabilities and historical reporting, including the reporting of trend data. This implementation is being spearheaded by the Assistant Vice President of Finance and is targeted to be completed by the end of FY2013.

If you require any additional information regarding this audit issue, please feel free to contact me.

Sincerely,



Sam Domiano
Interim Vice President
for Administration & Finance



October 10, 2012

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

Re: Failure to Reconcile Athletic Department Cash Collections

Dear Mr. Purpera:

I am in receipt of a letter dated September 26, 2012 regarding an audit finding relating to the failure of the Athletic Department to timely reconcile athletic ticket sales. The University concurs with this finding.

Based on the disclosures noted in the finding, the majority of the issues resulted from the fact that reconciliations were not taking place in a timely manner. It should be noted; however, the net difference (shortage) as presented was \$233 on sales totaling \$326,838, or less than 1/10 of 1%, after all reconciliations had been completed.

The following actions have been taken in response to this finding:

- On May 31, 2012, the President communicated in writing to the Athletic Director regarding cash reconciliations in the Athletic Department. This communication reiterated the importance of timely reconciliations and the responsibility for corrective action. An improvement plan for the Ticket Office was established and acknowledged by the Athletic Director, Senior Associate Athletic Director and Director of Ticket Operations on June 28, 2012.
- Ticket Operations Policy and Procedures Review – Given the need to strengthen internal controls as it relates to ticket sales and reconciliations, the Athletic Department, assisted by the Office of Internal Audit, conducted a complete and thorough review of all reconciliation procedures including procedures associated with media guide and program sales. Upon completion of the review, the policy and procedures manual was updated to include specific timeline expectations for reconciliations across all sports. Additional segregation of duties was also implemented providing greater accountability and control.
- A part-time staff member was increased to full-time to assist with ticket reconciliations. The position works with the Ticket Operations Office and reports to the Senior Associate Athletic Director.

- Those items identified in the audit but not addressed through the updated reconciliation procedures include excess discounts for faculty and staff, parking revenues and refunds. The Athletic Department has reviewed current policies and procedures and has incorporated changes to institute greater internal controls. These changes will be reviewed by the Office of Internal Audit prior to being finalized. Such changes will include documented requests for refunds requiring administrative-level approval, secondary reviews of all faculty and staff discounts with identified backups to ensure compliance, and the creation of internal documents and reports to enhance tracking of all ancillary activities to include parking.
- In addition to addressing the specific items identified as a result of this audit, the President of the University will commission a group that will review other business processes within the Athletic Department. The core group will include the Athletic Director, Senior Associate Athletic Director, Vice President of Administration and Finance or designee, and the Director of Internal Audit. A complete review, to include updates to policy and procedure manuals as necessary and appropriate, will be completed on or before January 1, 2013. All updated policies and procedures will be communicated to the Athletic Department staff within 30 days of final adoption. Communication to the staff will be the responsibility of the Athletic Director.
- Additional training on cash handling policies and procedures established by the University will be conducted by the Controller's Office. The Athletic Director will be responsible for identifying all appropriate staff within the Athletic Department that should attend and attendance will be mandatory. The additional training will be scheduled as soon as possible with all training completed on or before December 1, 2012.
- To ensure compliance with the updated procedures, the Office of Internal Audit will establish a plan which will incorporate periodic reviews, both scheduled and unscheduled, as deemed necessary and appropriate by the Internal Auditor.
- Expectations relating to all action items will be clearly communicated to the Athletic Director and other responsible parties.

If you require any additional information regarding this audit issue, please feel free to contact me.

Sincerely,



Sam Domiano
Interim Vice President
for Administration & Finance