

LOUISIANA STATE UNIVERSITY
AT SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 13, 2018

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana State University at Shreveport
Louisiana State University System



June 2018

Audit Control # 80180034

Introduction

The primary purpose of our procedures at Louisiana State University at Shreveport (LSUS) was to evaluate certain controls LSUS uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

Results of Our Procedures

We evaluated LSUS' operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LSUS' controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, receivables, movable property, tuition and fees revenues, LaCarte purchasing card expenses, payroll and personnel, professional service contracts, and information system access.

Current-year Finding

Lack of Controls Over Outstanding Student Account Balances

LSUS did not have adequate controls over outstanding student account balances for the two fiscal years ending June 30, 2018, as of May 2, 2018, which increases the risk for these balances to continually increase and become uncollectible. Student account receivable balances at January 31, 2018, were approximately \$1.84 million. LSUS management represented the following:

- Students are allowed to enroll in current semester classes owing prior semester balances and there is no process for placing registration holds on students' accounts.
- Students' classes are not dropped if outstanding balances due are not paid by established semester fee payment deadline dates, as required by LSUS policy.

- Employees are unable to generate a complete aged receivables report of individual outstanding student balances from its student accounting system, “Integrow,” for monitoring.

Management should strengthen its controls over outstanding student account balances by updating its policies and procedures to ensure registration holds are placed on outstanding student accounts, classes are dropped for students with outstanding balances past the payment deadline dates, and employees are monitoring outstanding balances periodically. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Additional Comments: Management noted that aged receivable reports are generated quarterly and a spreadsheet of individual student information was provided. However, the spreadsheet does not reflect all payments or adjustments made to individual student account balances to arrive to the summarized aged outstanding student balances reported quarterly to the Office of Statewide Reporting and Accounting Policy.

Cash

LSUS maintains one local bank account to deposit self-generated funds, such as tuition and fees and auxiliary services collections, and to transfer funds to the LSU Baton Rouge campus. A general operating bank account is maintained by the LSU Baton Rouge campus to deposit funds received from LSUS and on behalf of LSUS, and to make disbursements on behalf of LSUS. We obtained an understanding of LSUS’ controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements and bank reconciliations. The local account is reconciled monthly by LSUS personnel and the general operating account is reconciled by Baton Rouge campus personnel. Based on the results of our procedures, in regards to its local bank account, LSUS had adequate controls in place to ensure timely preparation and review and approval of bank reconciliations.

Receivables

As of January 1, 2016, LSUS began using the Office of Debt Recovery for collection of delinquent accounts. We obtained an understanding of LSUS’ collections process and the method for determining when an account is considered delinquent. LSUS has an agreement with the Louisiana Department of Justice (DOJ) for debt collection. We reviewed listings of the dates that delinquent accounts were submitted to DOJ during the two fiscal years ending June 30, 2018, as of April 4, 2018, and determined accounts were transferred as per the DOJ agreement. However, LSUS management represented that students are allowed to enroll in classes owing prior semester balances and classes are not dropped if outstanding balances are not paid by established fee payment deadline dates, as required by LSUS policy. Also, LSUS is unable to generate an aged receivables report for monitoring purposes (see Current-year Finding section).

Movable Property

LSUS owns 6,243 items of movable property with original costs of approximately \$17 million as disclosed in its latest available annual certifications of property inventory submitted in April 2017 to the Louisiana Property Assistance Agency. We observed restricted access to assets, and tested the timeliness of tagging new additions. Based on the results of our procedures, no reportable exceptions were identified.

Tuition and Fee Revenues

Approximately 53% of LSUS' revenue collections consist of tuition and fees. LSUS' tuition and fee revenues include general registration tuition and various fees charged to enrolled students. We obtained an understanding of the controls over tuition and fee rate tables and agreed the electronic table rates in the Integrow system to those authorized for the 2017 and 2018 academic years. We performed procedures to verify the accuracy and completeness of gross tuition and fee revenues recorded in the general ledger based on student enrollment for the Fall 2016 and Fall 2017 semesters. Based on the results of our procedures, the tuition and fee revenues were reasonable and properly recorded.

LaCarte Purchasing Card Expenses

LSUS participates in the State of Louisiana's LaCarte Purchasing Card Program. The cards are used to make small-dollar purchases; and for hotel, airfare, and car rental expenses. We obtained an understanding of the LSUS' controls over access to and use of these cards. We analyzed listings of card transactions for the period July 1, 2016, through March 1, 2018, and reviewed selected transactions. Based on the results of our procedures, LSUS had adequate controls in place to ensure that the card purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were in accordance with state laws and regulations.

Payroll and Personnel

LSUS has approximately 985 employees, and payroll expenses are LSUS' largest expenses. We obtained an understanding of LSUS' controls over personnel records and payroll expenses. We examined support for pay rates, time and leave approval, and payroll payments for selected employees during the two fiscal years ending June 30, 2018, as of March 2018. Based on the results of our procedures, LSUS had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Professional Service Contracts

We obtained an understanding of LSUS' policies and procedures relating to professional service contracts. For contracts in effect during the two-year period ending June 30, 2018, for continuing education, deaf interpreting, office design, and audit services, we examined certain contract and invoice payments for the months July 2016 to February 2018. Based on the results of our procedures, no exceptions were identified.

Information System Access

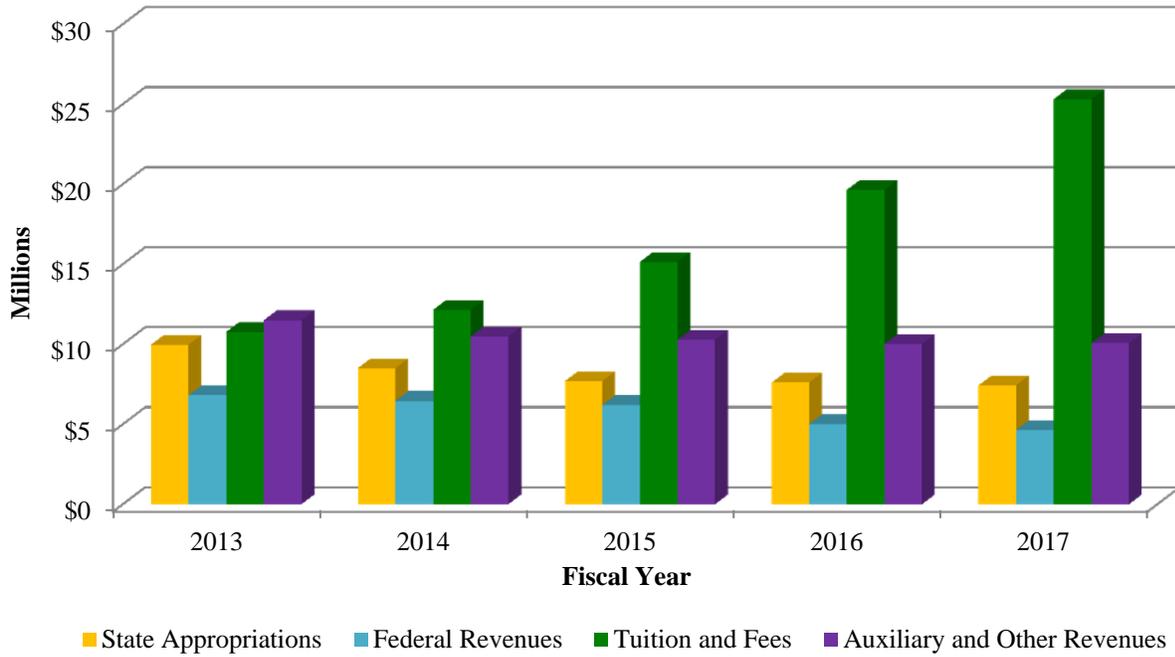
LSUS uses "Asset Works" for property management; "Integrow" for student accounts receivables; and the "WorkDay" system for general ledger data, human resources, and timekeeping functions. We obtained and reviewed listings of employees who terminated their employment during the two fiscal years ending June 30, 2018, as of February 28, 2018, and examined the check-out forms and the notifications to system administrator to terminate access. Based on the results of our procedures, no exceptions were identified.

Trend Analysis

We compared the most current and prior-year financial activity using LSUS' financial statements and/or system-generated reports and obtained explanations from LSUS' management for any significant variances. We also prepared an analysis of five fiscal year revenue and enrollment trends.

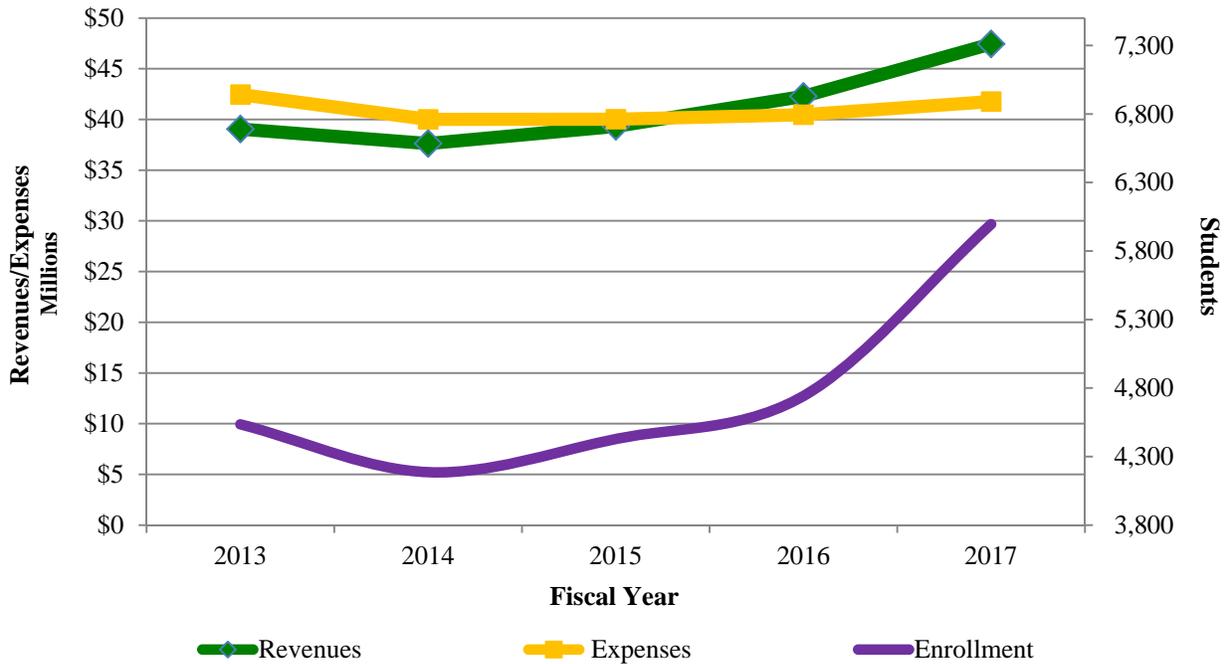
We analyzed LSUS' revenues, expenses, and enrollment data over the last five fiscal years to identify trends. There was a decline in enrollment in fiscal year (FY) 2014 due to a drop in dual-enrollment students; however, enrollment has since steadily increased due to an increase in graduate students from the addition of new graduate programs. Tuition and fee revenues have increased in line with increases in enrollment and tuition rates. Expenses have remained fairly constant over the five-year period with a slight increase in FY 2017 due to additional resources needed from the increase in enrollment.

Exhibit 1 Five-Year Revenue Trend



Sources: LSU System Annual Fiscal Reports

Exhibit 2 Fiscal/Enrollment Trends



Sources: LSU System Annual Fiscal Reports and Board of Regents Enrollment Data

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

Respectfully submitted,



Thomas H. Cole, CPA
First Assistant Legislative Auditor

ASM:BAC:BH:EFS:aa

LSUS2018

APPENDIX A: MANAGEMENT'S RESPONSE

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

May 24, 2018

Dear Mr. Purpera:

Our Management Responses are below for the audit finding presented to our campus via an email from Barbara Clements dated May 17, 2018, which covered 2016 – 2018 fiscal years.

LSUS is committed to proper administration of our records. We feel implementing the procedures outlined below will aid in addressing the findings and recommendations.

Finding: Lack of Controls over Outstanding Student Account Balances
Management concurs with this finding.

- **Students are allowed to enroll in current semester with prior semester balances.**

Response:

Historically, students have registered in current semesters without registration holds according to University policy and procedure. The rationale behind this policy involved the greater potential collectability rate of outstanding balances from currently enrolled students. Currently, a maximum deduction of \$200 in prior semester outstanding balances is allowable from current semester Federal Financial Aid. Additionally, students are advised to enroll in the tuition payment plan to finance all prior and current balances due to the University.

Corrective Action Plan:

Please note that discussions are underway within the University that will involve communication of a change in University policy and procedure with all students with a prior outstanding balance that will involve the placement of registration holds. This registration hold will prohibit current semester registration until the prior balance is paid or setup on a third party tuition repayment plan.

The **student communication process** will begin in **July 2018**, with **implementation of the registration hold** prior to **Spring 2019 registration**.

The student communication process and implementation of the registration hold will be a **joint effort between Accounting Services – Beth Anderson and Ken Nolley, Admissions and Records – Darlena Atkinson, and Information Technology – Shelby Keith**.

The maintenance of the registration hold and coordination of tuition payment plans regarding outstanding balances will be **administered by Accounting Services – Beth Anderson and Ken Nolley**.

- **Students with outstanding balances are not dropped.**

Response:

Currently, the drop for non-payment process only contemplates students who have current semester balances that have not been paid or financed. All students with current semester balances are purged from class rosters for nonpayment.

Corrective Action Plan:

Once corrective action, as stated above, for students being allowed to enroll in current semester with a prior semester balance has been implemented, students with prior balances will not be allowed to register until the prior balance is paid or setup on a tuition repayment plan. Students with current semester balances will continue to be purged from class rosters for non-payment.

This process will continue to be the **responsibility of Bursar's Office, - Ken Nolley and Information Technology – Shelby Keith.**

- **Employees are unable to generate an aged receivables report.**

Aged receivable reports are generated quarterly as part of the OSRAP accounts receivable reporting process.

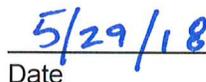
Data is downloaded from the SIS, Integrow, into a spreadsheet and analyzed for the aging process. This can be downloaded at any point in time and aged. Due to the extreme volume of student activity and the limited manpower, LSUS performs this analysis on a quarterly basis to accomplish OSRAP reporting requirements and to determine if any accounts should be turned over for collection.

A spreadsheet containing individual student information was provided to Legislative Audit staff as part of the testing process during the month of April 2018 by LSUS Accounting Services staff.

This process is the **responsibility of Accounting Services – Beth Anderson and Ken Nolley.**



Barbie Cannon
Vice Chancellor, Business Affairs



Date



Larry Clark
Chancellor



Date

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana State University at Shreveport (LSUS) for the period from July 1, 2016, through June 1, 2018. Our objective was to evaluate certain controls LSUS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the LSUS' financial statements, and accordingly, we do not express an opinion on those statements. LSUS' accounts are an integral part of the Louisiana State University System, which is an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LSUS' 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 LSUS.
- Based on the documentation of LSUS' controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, receivables, movable property, tuition and fee revenues, LaCarte purchasing card expenses, payroll and personnel, professional service contracts, and information system access.
- We compared the most current and prior-year financial activity using LSUS' financial statements and/or system-generated reports to identify trends and obtained explanations from LSUS' management for any significant variances that could potentially indicate areas of risk.

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