

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



MANAGEMENT LETTER
ISSUED APRIL 28, 2010

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

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LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

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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. Six copies of this public document were produced at an approximate cost of \$19.32. 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. 3611 or Report ID No. 80090053 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

March 24, 2010

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, 2009, we considered the University of Louisiana at Lafayette's (UL Lafayette) 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 UL 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 program as required by U.S. Office of Management and Budget Circular A-133.

The annual financial information provided to the University of Louisiana System by UL 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 UL Lafayette for the year ended June 30, 2008, we reported findings relating to weakness in collection procedures over defaulted loans, failure to provide proper loan notice, and untimely and inaccurate federal reporting. The finding relating to failure to provide proper loan notice has been resolved by management. The finding relating to untimely and inaccurate federal reporting has been partially resolved, while the finding relating to collection procedures over defaulted loans was unresolved. Both findings are 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* have also been included in the State of Louisiana's Single Audit Report for the year ended June 30, 2009.

Misappropriation of University Funds

On December 1, 2009, the University of Louisiana at Lafayette (UL Lafayette) received allegations involving outside employment, payroll, and travel regarding a UL Lafayette employee during the period from January 1, 2006, through December 31, 2009. At the request of UL Lafayette, the University of Louisiana System (ULS) internal auditor conducted an investigation into these allegations and issued an audit report in March 2010 on his investigation. Several Louisiana revised statutes (R.S.) and university policies were referenced in the internal audit report including R.S. 42:1123(9)(b) relating to consulting services, and system and university policies related to outside employment; R.S. 14:138 defining public payroll fraud; R.S. 14:133 relating to filing false public records; and R.S. 14:67 defining thefts and misappropriations.

The ULS internal auditor's report disclosed the following:

- Dr. Ali Ghalambor, professor and former head of the Department of Petroleum Engineering, did not properly report outside employment to the campus administrative officer designated by the UL Lafayette President for the calendar years 2006 through 2009. As a result, the university was not informed of Dr. Ghalambor's outside employment activities in accordance with laws and regulations.
- Dr. Ghalambor appears to have engaged in certain activities that were not outside of his assigned working hours or responsibilities and did not occur during a period of paid or unpaid leave. As a result, Dr. Ghalambor accepted total payments of \$42,280 from the university during the calendar years 2006-2009 while conducting activities that appear to be outside of his assigned working hours or responsibilities.
- University travel expense reimbursements were compared to travel expense reimbursements Dr. Ghalambor received from companies and organizations outside of the university for the calendar years 2006-2009. Dr. Ghalambor appears to have claimed travel expense reimbursements of \$84,117 from UL Lafayette, while also accepting travel expense reimbursement from companies and organizations he provided services to as part of his outside activities.

Since the internal audit was released, UL Lafayette submitted the report to the District Attorney's Office and on March 12, 2010, requested reimbursement of the questioned travel costs. Dr. Ghalambor has submitted notice of his retirement and has reimbursed the university for the \$84,117 in travel costs questioned in the internal audit. At this time, the university does not intend to pursue further disciplinary action against Dr. Ghalambor. This investigation was the result of alleged fraudulent activities of an employee that were not detected by the routine application of internal controls.

Management should evaluate its controls and monitoring processes for outside employment to ensure that its controls are adequate to minimize the risk of misappropriations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1-3).

Weakness in Collection Procedures Over Defaulted Loans

For the second consecutive year, UL Lafayette did not perform certain collection procedures required by federal regulations over its defaulted loans for the Perkins Loan Program (CFDA 84.038). The Code of Federal Regulations [Title 34, Part 674.45(c)(1)] requires an institution to refer the loan account of a defaulted borrower to a collection firm after it pursues collection activity for up to 12 months and is unsuccessful in converting the loan account to regular payment status.

Procedures performed on 14 defaulted loans revealed that for nine (64%) of the defaulted loans, UL Lafayette was unsuccessful in converting the loan account to regular payment status after 12 months and did not refer the loans to a collection firm.

UL Lafayette does not have procedures in place to identify those loans that fail and should be converted to regular repayment status. Failure to implement proper collection procedures increases the risk that UL Lafayette will not collect funds owed back to the university from the defaulted borrowers and could result in noncompliance with federal regulations.

Management should improve procedures over its defaulted loans in the Perkins Loan Program to ensure compliance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

Untimely Federal Reporting

For the second consecutive year, UL Lafayette did not report Federal Pell Grant Program (CFDA 84.063) disbursement data to the U.S. Department of Education (USDOE) through the Common Origination and Disbursement (COD) system timely. The Federal Register Vol. 73 No. 111 requires an institution to submit Pell disbursement records to COD no later than 30 days after making a Federal Pell Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant disbursement.

For two of nine (22%) transactions reviewed, UL Lafayette did not report Pell data to COD within 30 days after making a Federal Pell Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant disbursement. One transaction was reported 116 days late, and one transaction was reported 117 days late. Both items were disbursements that involved reductions due to the Return of Title IV Funds calculations.

Data was not consistently entered into the Student Aid Management System, which is used to report payment data to COD. Failure to report financial data to USDOE timely results in noncompliance with federal regulations.

Management should strengthen procedures to ensure that data is reported to USDOE timely to comply with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

Weakness in Calculation of Return of Title IV Funds

UL Lafayette did not calculate the Return of Title IV Funds correctly to ensure that federal compliance requirements were followed for the Federal Supplemental Educational Opportunity (CFDA 84.007), Federal Family Education Loans (CFDA 84.032), Federal Perkins Loan Program (CFDA 84.038), Federal Pell Grant Program (84.063), Academic Competitiveness Grants (CFDA 84.375), and National Science and Mathematic Access to Retain Talent Grant (CFDA 84.376).

The U.S. Code of Federal Regulations (CFR) Title 34, Chapter 668, Section 22(a)(1) states that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. Title 34 CFR 668.22(f)(2)(i) states that the total number of calendar days in a payment period or period of enrollment includes all days within the period, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

Audit procedures performed revealed that six of nine (67%) Title IV return calculations tested were incorrect. An error was made in subtracting out the institutionally scheduled breaks from the "total days" calculation for the spring 2009 semester. As a result, 108 calendar days were used in the calculation rather than 100 days. Every Return of Title IV Funds calculation completed for the spring 2009 semester was incorrectly calculated. The university's Financial Aid Office has recalculated all Return of Title IV Funds calculations for the spring 2009 semester.

Failure to correctly compute the Title IV Funds returns results in noncompliance with federal regulations and may cause inaccurate payments to the USDOE or to students.

Management should strengthen its review procedures over the Return of Title IV Funds calculations to ensure compliance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 6).

Weaknesses in Departmental Revenue Collection Controls

UL Lafayette did not enforce adequate internal controls over departmental revenue collections. The university currently has no formal policy addressing cash handling or collections at cash collection points. Good internal controls should ensure that all monies collected for the university from any source would be deposited with the departmental cashier's office daily and that collections are deposited timely and properly safeguarded against errors or fraud.

Audit procedures performed on 13 departments' revenue collections, where one deposit was selected for testing from each department, disclosed the following:

- Nine of the 13 (69%) departments selected with current fiscal year total collections of \$2,315,658 (1% of total UL Lafayette revenues) made untimely deposits in the amount of \$9,438.
- Four of the nine departments had documentation that indicated check receipt dates; therefore, check dates were used to determine if a deposit was made timely. Based on check dates, the amount of time between receipt and deposit ranges from five to 44 business days.
- Five of the nine departments did not have receipt date or check date on its documentation; therefore, length of time between receipt of funds and deposit was not determinable.
- Two departments did not have any supporting documentation to support the deposits. One department collected funds and spent those funds before depositing them. The total recorded deposits for that department were \$1,045; however, auditors could not determine the extent of unrecorded collections.
- One department did not have supporting documentation that tied to the deposits. The applications are marked paid; however, no receipt date was logged and applications were not filed by deposit.
- Two departments had supporting documentation that tied to the deposit, but the supporting documentation lacked receipt dates. Therefore, the length of time between receipt and deposit was not determinable.

Management has not placed sufficient emphasis on controls over certain departmental revenue collections. Failure to enforce adequate controls over revenue collection increases the risk of loss arising from errors or fraud.

Management should ensure that policies and procedures over collections and deposits are adequately designed and implemented at its collection points to safeguard revenues. In addition, management should develop procedures requiring all departments to keep supporting documentation for all revenues received. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 7).

Weaknesses in Movable Property Controls

UL Lafayette did not ensure that property personnel followed established control procedures relating to entering inventory items accurately and timely into the Louisiana Property Assistance Agency (LPAA) system. The state property control regulations, defined in Title 34, Part VII, Section 307 of the Louisiana Administrative Code, require all acquisitions of qualified property to be tagged and pertinent information to be entered into the LPAA system within 60 calendar days of receipt of the property.

Audit procedures performed on movable property disclosed that three of nine (33%) current year acquisitions were not entered into the LPAA system within 60 calendar days of receipt of the property. All nine (100%) of the items tested had incorrect acquisition dates. Property personnel were using the dates that the movable property items were entered into the LPAA system (creation date) as the receipt date rather than the actual receipt date. Per the LPAA Asset Management System Users Guide, “the acquisition date is the date of receipt of the property.”

UL Lafayette employees did not follow controls in place to ensure that the university’s inventory master listing entries were input accurately and timely into the LPAA system. Failure to enforce adequate controls over movable property subjects the university to an increased risk of noncompliance with state regulations and increases the risk that errors in reporting and fraud could occur without detection.

Management should ensure that property personnel are following the established controls to enter movable property items timely and that all information entered into the LPAA system is accurate. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 8).

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. The findings related 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 the university and its management, others within the university, the University of Louisiana System and its board of supervisors, 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
Legislative Auditor

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



March 24, 2010

Mr. Daryl G. Purpera, CPA, CFE
Temporary Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804

RE: Misappropriation of University Funds

Dear Mr. Purpera:

The University of Louisiana at Lafayette concurs with the above referenced finding and has established the following to address this finding:

- Immediately upon receipt of the allegations, management evaluated its internal procedure relative to review and approval of employee outside employment disclosures. The outside employment disclosure form has been redesigned to provide more clarity to the employee/supervisor of his/her responsibilities relative to the disclosures to ensure consistent and verifiable compliance with the outside employment policy.
- The university reviewed its practice and procedures relative to requests for authorization for travel and reimbursement. The university determined that all requests for reimbursement were accompanied by appropriate receipts from the employee required under state travel guidelines. Requests for authorization for travel will be required to be more detailed as to the purpose of travel and the benefit to the university and, in addition, full disclosure will be required of the total sources of funding of the travel: university, personal or outside sources.

We feel that these changes will strengthen internal oversight of employee compliance with state law and university policy requiring outside employment disclosure and will minimize the risk of misappropriations.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Joseph Savoie', written over a printed name and title.

E. Joseph Savoie
President

INTEROFFICE MEMORANDUM

TO: PRESIDENT SAVOE; JERRY LEBLANC; STEVE LANDRY
FROM: CHRISTINE BRASHER
SUBJECT: DEROSIER ALLEGATIONS
DATE: 3/11/2010

The following is a chronology of the University's actions to date in response to the allegations made by Debbie DeRosier against Dr. Ali Ghalambor:

December 1, 2009	Receipt of "document" by President. Discussion and review with Provost, Vice President Administration and Finance, Director of Operational Review.
December 2, 2009	Meeting with above individuals to formulate appropriate response. Action taken: Letter drafted to Dr. Ghalambor; Met with appropriate law enforcement agency regarding security allegations; Reviewed protocol to preserve documentation for auditor review; Reported allegations to UL System President; Initiated internal audit review; Reviewed University efforts to minimize exposure to Dr. Ghalambor's professional reputation during review process; Initiated account monitoring
December 3, 2009	Requested System Office assistance in financial review
December 7, 2009	Telephone conference with Robbie Robinson and Kay Kirkpatrick of the System Office regarding record retention. Conducted onsite backup of Dr. Ghalambor's and administrative assistant's computers.
December 9, 2009	Met with Robbie Robinson, System Director of Internal and External Audit to discuss process and obtain list of documents required for review. Meeting held with Dr. Ghalambor, Provost, Director of Operational Review and auditor to familiarize Dr. Ghalambor with actions taken by University to date. Provided copy of Ms. DeRosier's documents to Dr. Ghalambor.
December 14, 2009	Mr. Robinson met with Dr. Ghalambor.
December 16, 2009	Dr. Ghalambor reported to Dean of College of Engineering that files were missing from his office. Dr. Ghalambor was instructed to contact UP and file report. Secretary computer was replaced at Dr. Ghalambor's request. Computer securely stored per campus CIO.
December 18, 2009	President received new packet of information from anonymous source regarding Dr. Ghalambor's travel to Iran.
December 20, 2010	Copy of same provided to Dr. Ghalambor

December 29, 2009	Mr. Robinson met with Dr. Ghalambor
January – February	Mr. Robinson on campus to review internal records and meet with Dr. Ghalambor various dates
February 4, 2010	Meeting held with auditor, President, Vice President of Administration and Finance, Provost, and Director of Operational Review regarding preliminary findings. Auditor reported that final report is pending.
February 11, 2010	Meeting held with auditor, Dean of College of Engineering, Provost and Director of Operational Review regarding preliminary findings
February 17, 2010	Mr. Robinson reported that Legislative Auditor will allow UL to conduct audit which will become part of yearly audit. Recommended UL make preliminary information available to D.A. Also reported that Dr. Farshad requested meeting with Legislative Auditor and had information stored on portable storage device.
February 22, 2010	Dr. Ghalambor stepped down as Department Head.
February 23, 2010	Vice President of Administration and Finance, Provost, Director of Operational Review and auditor met with D.A. to report preliminary findings.
March 11, 2010	Received final report from System Director of Internal and External Audit. Sent copy of final report to Legislative Auditor and District Attorney in accordance with R.S. 24:523



December 16, 2009

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Please find below our management response to the FY 2008-2009 audit finding of "Weakness in Collection Procedures over Defaulted Loans".

The University concurs with the finding.

The Corrective Action Plan created by the University is as follows:

Cindy Perez, Financial Aid Director is responsible to verify the implementation of action plan.

The University has implemented procedures to ensure that once due diligence has been performed on defaulted Perkins Student Loans with no success, the defaulted loans are referred to a collection firm within the prescribed time to remain in compliance with federal regulations.

The procedures include:

Monthly Reports are run to review accounts that are 120+ days past due. Borrowers who have set up monthly payment arrangements are reviewed each month to make sure they are complying with their payment contract.

Sincerely,

DeWayne Bowie
Vice President for Enrollment Management



December 3, 2009

Daryl G. Purpera, CPA, CFE
Temporary Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

P.O. Box 42651
Lafayette, LA 70504-2651
Office: (337) 482-5912
Fax: (337) 482-6195

Université des Acadiens

Dear Mr. Purpera:

Please find below our management response to the FY 2008-2009 audit finding of "Untimely Federal Reporting".

The University concurs with the finding.

The Corrective Action Plan created by the University is as follows:

Cindy Perez, Financial Aid Director is responsible to verify the implementation of the Corrective Action Plan as described below:

- 1) Generate Federal Pell Grant Adjustments Report bi-weekly. This report will identify Pell Grant payment discrepancies and will also identify students whose pell grant and other financial aid may need adjusting because of a change in enrollment.
- 2) All Federal Pell Grant and other required financial aid adjustments will be entered into the Student Aid Management System (SAM), which is the software used for financial aid processing, within three (3) business days of receipt of the pell adjustments report mentioned in step 1 above.
- 3) Next, the financial aid adjustments will be submitted to the Business Office for processing.
- 4) Pell Data will be reported to COD within two (2) business days after the adjustments have been processed.
- 5) Random monthly audits will be performed either by Cindy Perez or her designee to monitor compliance.

Sincerely,

DeWayne Bowie
Vice President for Enrollment Management



December 7, 2009

Mr. Daryl G. Purpera, CPA, CFE
Temporary Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Please find below our management response to the FY 2008-2009 audit finding of "Weakness in Calculation of Return of Title IV Funds".

The University concurs with the finding.

The Corrective Action Plan created by the University is as follows:

Cindy Perez, Financial Aid Director is responsible to verify the implementation of the Corrective Action Plan as described below:

- 1) Thirty days prior to the beginning of each fiscal year, the Financial Aid Office will develop Return to Title IV Calculation Forms for the entire fiscal year to include the summer session, fall semester and spring semester. These forms will incorporate all pertinent Return to Title IV Calculation information to include the number of days in each session/semester, scheduled breaks, the mid-point, and the 60% point in each term.
- 2) The completed form for each term will be submitted to the Financial Aid Director for approval prior to the beginning of the fiscal year.
- 3) The Department of Education's Return to Title IV System will be updated with the required information before the beginning of the fiscal year.

Sincerely,

DeWayne Bowie
Vice President for Enrollment Management



UNIVERSITY
OF
LOUISIANA
L a f a y e t t e

Office of the Vice President
Administration and Finance

P.O. Box 40400
Lafayette, LA 70504-0400
Office: (337) 482-6235
Fax: (337) 482-6534

Université des Acadiens

November 23, 2009

Mr. Steve Theriot, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Weaknesses in Departmental Revenue Collection Controls

The University of Louisiana at Lafayette concurs with the above referenced finding and has established the following corrective action plan to address this finding:

- The University will review all revenue collection points to determine which can be moved to the University of Louisiana at Lafayette Cashier's Office where they will be subject to the established controls of that office.
- For those departments deemed a revenue collection point, the University is now developing uniform internal control procedures and standard receipt documents that will provide safeguards over departmental revenue receipts and clear documentation of the receipt of funds. Once the new procedures are complete, they will be communicated to the University departments.

We feel that these procedures will provide internal control over departmental revenue collections and help ensure timely deposit of the departmentally collected revenues.

Should you require additional information, please contact me at (337) 482-6235.

Sincerely,

Jerry Luke LeBlanc
Vice President, Administration and Finance

mp



December 14, 2009

Mr. Steve Theriot, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804

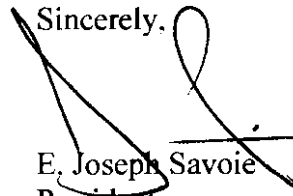
RE: Weaknesses in Movable Property Controls

Dear Mr. Theriot:

This letter is an official response to the reportable audit finding for the University of Louisiana at Lafayette regarding Weaknesses in Movable Property Controls. The University of Louisiana at Lafayette concurs with the finding and has established a corrective action plan to address this finding.

Property control personnel have been instructed to use the date the equipment is received at the university central receiving warehouse when entering new acquisitions into the LPAA system and to follow established controls to ensure that movable property items are entered into the LPAA system on a timely basis.

The corrective plan is now in place and every effort will be made to enter new acquisitions into the LPAA system timely and accurately.

Sincerely,

E. Joseph Savoie
President

jl

C: Mr. Jerry LeBlanc