

LOUISIANA STATE UNIVERSITY AT SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JULY 29, 2020

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana State University at Shreveport
Louisiana State University System



Audit Control # 80200053

July 2020

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, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated LSUS's 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's 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, Student Tuition and Fee Revenues, Reconciliation of Integrow to Workday, and Payroll and Personnel Expenses.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in LSUS's procedural report dated June 13, 2018. We determined that the prior-report finding related to *Lack of Controls over Outstanding Student Account Balances* has been partially resolved and is addressed again in this report.

Current-report Findings

Lack of Controls over Outstanding Student Account Balances

For the second consecutive engagement, LSUS does not have adequate controls over its outstanding student account balances for the two fiscal years ending June 30, 2020, as of April 16, 2020. Failure to implement adequate controls increases the risk that delinquent student account balances will continue to increase and could become uncollectible.

LSUS financial information shows approximately \$2.4 million of student tuition and fees accounts receivable as of January 31, 2020. LSUS management represented the following:

- Students are allowed to register in current semester classes while owing prior-semester balances. Although LSUS has developed policies and procedures to prevent students from registering for classes with an outstanding balance, the policies and procedures have not yet been implemented.
- LSUS is developing an aged receivables report in its student accounting system; however, there are currently issues with the data output, and the reports do not reconcile with the general ledger.

Management should implement procedures to ensure registration holds are placed on student accounts with outstanding balances. Management should also ensure a reliable aged receivables report is available and monitored consistently. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, pages 1-2).

Bank Reconciliations Not Performed

LSUS, as of March 17, 2020, had not completed monthly bank reconciliations for the months of July 2018 through February 2020. Failure to perform bank reconciliations could result in errors or misstatements not being detected timely and an increased risk of misappropriation of funds not being detected. Management represented that the bank accounts had not been reconciled because of employee turnover in LSUS's Business Affairs Office. Also, LSUS does not have policies and procedures established for performing bank reconciliations.

Good internal control requires reconciliation of the bank account balances to the accounting records in a timely manner. Bank reconciliations provide management with a basis to ensure that all transactions that affect both the bank accounts and the accounting records are in agreement.

LSUS management should establish policies and procedures to ensure that bank accounts are reconciled monthly. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, pages 3-4).

Weakness in Controls over Payroll

LSUS did not maintain adequate controls over payroll processing, increasing the risk that errors and/or fraud may be committed and not detected in a timely manner. We sampled 33 separate pay periods from July 2018 through January 2020 for 21 employees and noted the following exceptions:

- One employee (3%) received a duplicate payment for additional compensation in the amount of \$12,000. The error was the result of an employee entering the compensation twice because the employee thought the first entry did not save. Both entries were then approved by the manager and paid. The overpayment occurred in December 2018 and was discovered in our test in March 2020.

- One employee (3%) did not have a time sheet completed and approved by their supervisor.
- Two employees (6%) did not certify their time and attendance records monthly as required by Louisiana Revised Statute (R.S.) 17:3311.A(3). These employees certified their time and attendance records 77 and 91 days after the monthly certification end date.

We expanded procedures and analyzed a monthly certification report, provided by LSU Human Resources, of active unclassified employees who earn leave and are required to certify time and attendance records for the months of July 2018 through January 2020 (as of March 17, 2020). As a result, we noted 835 (18%) of 4,611 monthly payroll records analyzed were not certified by the employee.

LSUS does not have formal policies requiring monthly certification of daily attendance and leave records for unclassified employees. Additionally, management does not have an effective process to ensure all employees, as required by state law, certify attendance and leave records monthly. Periodic reminders to complete certifications are sent to employees and supervisors; however, no additional procedures are performed after these reminders are sent to ensure employees complete the required certifications. LSUS management has represented that it does not have access to employee certification information and, although requested from LSU A&M Human Resources, LSUS has not received information that would allow it to monitor the certifications.

LSUS management should implement procedures to ensure accurate information is entered into the payroll system, and ensure overpayments are recouped. In addition, management should design and implement policies and procedures that require monthly certifications to be completed timely. Finally, management should continue to request certification information and develop monitoring procedures to ensure the certifications are completed timely in accordance with state laws. If management is unable to obtain the reports from LSU A&M, management should develop alternative monitoring procedures to ensure certifications are completed timely. Management concurred in part with the finding and outlined corrective actions. Management disagreed with the certification of time and attendance portion of the finding noting that the finding should not be given to LSUS since LSU A&M administers leave certification. Management did outline a plan of corrective action if LSUS is able to access a monthly report designed by LSU A&M Human Resources (See Appendix A, pages 5-6).

Possible Improper One-Time Salary Supplement to Employees

LSUS may have violated state law when it paid its employees a one-time salary supplement during fiscal year 2019. The supplement was paid in the amount of 1% to 3% of each employee's base salary up to a \$3,000 maximum for all LSUS continuing full-time faculty and unclassified staff in good standing as of June 30, 2018. LSUS did not specifically budget or create an obligation for the one-time salary increases at the beginning of the 2019 fiscal year. LSUS did not offer permanent prospective salary increases due to the uncertainty of state appropriations for the next fiscal year and the robust competition in online program offerings. Although LSUS represented that most faculty and staff have assumed greater responsibilities or

work, there were no individual evaluations of the increased work performed by each employee nor anything that obligated LSUS for increased work.

Article 7, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Attorney General (AG) *Opinion No. 10-0299* notes that payments of additional compensation to public employees, in order to be constitutionally valid, must be in the form of prospective salary increases. The Attorney General has held that retroactive payments to public employees for work previously performed and compensated are generally an unconstitutional donation of public funds. Any additional compensation must be in the form of salary increases for future services or for additional, unusual or extra ordinary duties, rather than compensation for services already rendered or not rendered at all.

The payments appear to be bonuses, which are prohibited under state law. Management should seek an opinion from the Attorney General to distinguish the one-time payments given from prohibited bonuses. Management did not concur with the finding but concurs with the recommendation for the University to seek an opinion from the Attorney General to distinguish the one-time salary supplements given from prohibited bonuses. Management also provided a corrective action plan (See Appendix A, pages 7-10).

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. The cash balance at June 30, 2019, per LSUS's Annual Fiscal Report, was \$16,249,262.

We reviewed the calculations for a sample of six monthly cash transfers to LSU Baton Rouge for shared services during the period from March 2018 to February 2020. We obtained an understanding of LSUS's controls over cash collections and pledged securities and tested a sample of 20 cash receipt transactions and four pledged securities reports during the period from July 2018 to January 2020. We ensured that the cash collections were properly recorded, had adequate support, and agreed to bank deposits. We determined that the market value of the pledged securities equaled or exceeded the value of the amount on deposit with the institution, plus the Federal Deposit Insurance as required by R.S. 49:321. Based on the results of our procedures, LSUS had adequate controls over cash transfers to LSU Baton Rouge for shared services, cash collections, and compliance with R.S. 49:321 in relation to pledged securities.

We requested written policies and procedures and support for bank reconciliations completed for fiscal year 2019 and fiscal year 2020 as of March 2020. Based on the results of our procedures, we reported a finding on Bank Reconciliations Not Performed.

Student Tuition and Fee Revenues

Approximately 68% of LSUS's revenues consisted of Net Student Tuition and Fees, per LSUS's Annual Fiscal Report for the fiscal year ended June 30, 2019. Net student 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 for standard fee rates in the Integrow system to those published for the 2019 and 2020 academic years. Integrow is the student accounting system maintained by LSUS, which includes student receivables and cash receipts.

We performed procedures to verify the accuracy and completeness of gross tuition and fee revenues assessed and recorded in Integrow based on student enrollment and the tuition and fee rate tables for fiscal years 2019 and 2020 through March 31, 2020, combined. Based on the results of our procedures, LSUS had adequate controls in place to ensure that gross tuition and fee revenues were properly assessed and recorded in Integrow.

Reconciliation of Integrow to Workday

LSUS uses Integrow for student receivables and cash receipts and Workday for general ledger accounting and must transfer the data from Integrow to Workday. We obtained an understanding of LSUS's reconciliation process for ensuring all information is transferred from the Integrow System to Workday and reviewed selected reconciliations. Based on the results of our procedures, LSUS is performing timely reconciliations and ensuring all information is properly transferred from Integrow to Workday.

Payroll and Personnel Expenses

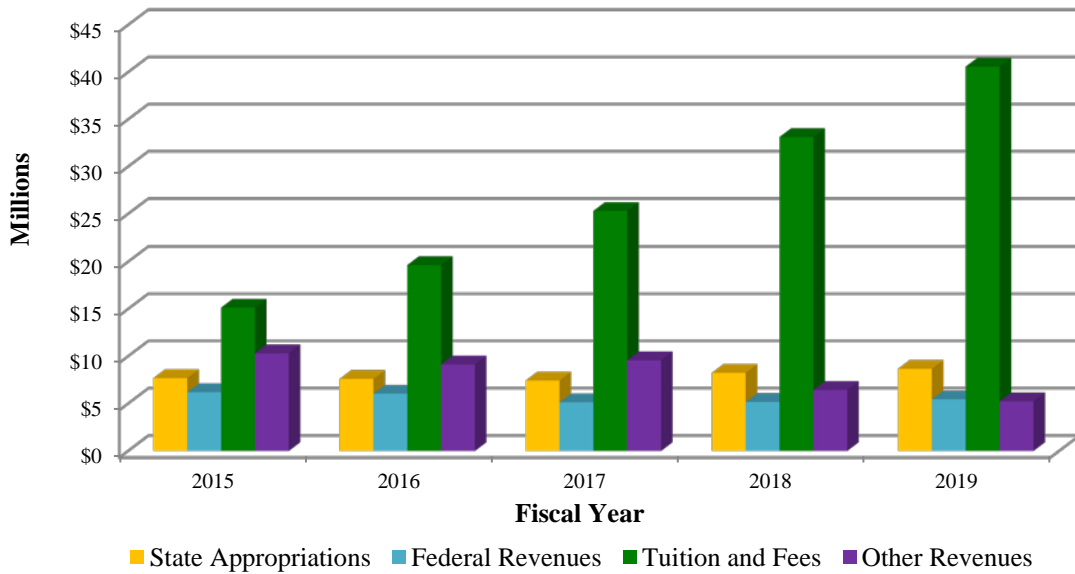
Salaries and wages comprised approximately 40% of LSUS's expenses in fiscal year 2019. We obtained an understanding of LSUS's controls over pay authorization, time and attendance, and leave functions. We reviewed a sample of 33 separate pay periods from July 2018 through January 2020 for 21 employees to ensure that employee time statements and leave records were properly approved or certified, employees were paid at the authorized rate, and that retroactive and one time payments were properly authorized and paid. Based on the results of our procedures, we found LSUS did not have adequate controls in place over payroll processing, as noted in the Current-report Findings section above.

Trend Analysis

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

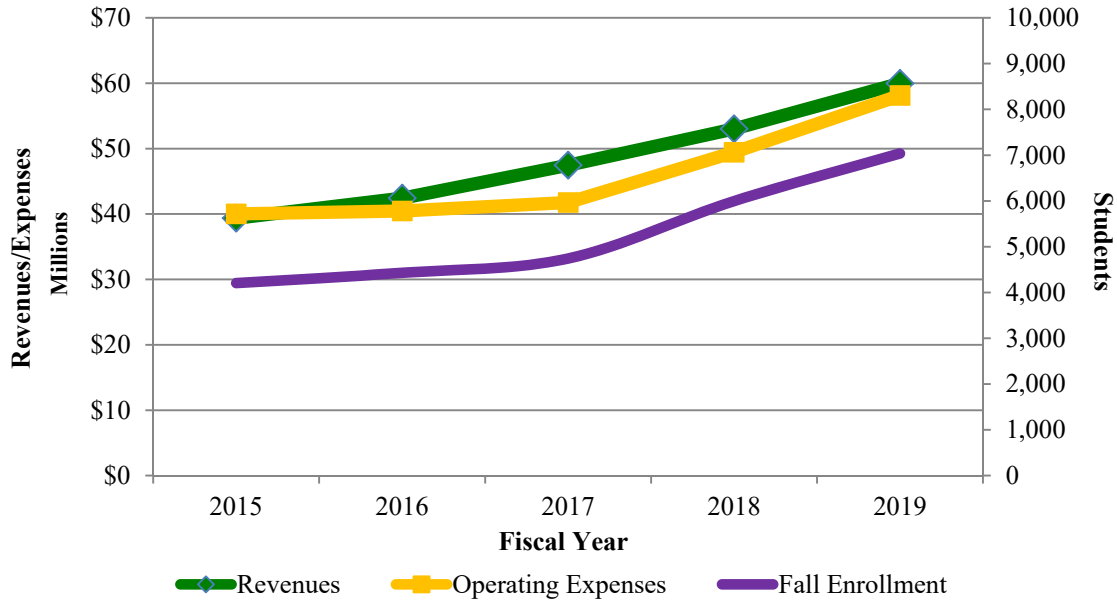
In analyzing financial trends of LSUS over the past five fiscal years, enrollment has significantly increased, specifically in fiscal years 2018 and 2019, as LSUS has continued to expand online programs offered. LSUS has a corresponding increase in tuition and fee revenues and operating expenses due to additional staff and online learning service expenses such as program implementation, marketing, and program delivery.

**Exhibit 1
Five-Year Revenue Trend**



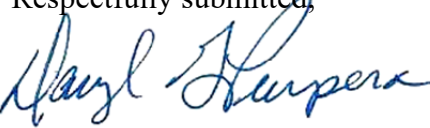
Source: LSUS Annual Fiscal Reports

**Exhibit 2
Fiscal/Enrollment Trends**



Source: LSUS Annual Fiscal Reports and Board of Regents Enrollment Data

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

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

BDM:RJM:BH:EFS:aa

LSUS2020

APPENDIX A: MANAGEMENT'S RESPONSES



Office of Business Affairs
318.797.5278 Phone
318.798.4141 Fax

One University Place
Shreveport, LA 71115-2399

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

May 26, 2020

Dear Mr. Purpera:

Our Management Responses are below for the audit finding presented to our campus via an email from Rebecca Marcantel dated May 11, 2020, which covered 2019 – 2020 fiscal years.

LSUS is committed to proper administration of our records. As our enrollment has doubled over the past four years from approximately 4,000 to 8,000, LSUS has worked to implement processes and procedures to maintain the growth, provide customer service and all the while not having been able to increase staff. Also during this time, we have had to work through the implementation of a new ERP (Workday), along with going to shared services with LSU. Positions crucial to the success of the processes were in flux and unmanned for almost the first year of operating on the new ERP. Many changes were necessary to operate within the parameters of the new ERP as well as within a shared services model. As the crucial positions were filled, time was needed for those employees to understand the past as well as what was needed for the future. 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 but has taken steps in the last year to mitigate risk.

- **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. Due to stretched staff and the turnover within Accounting Services and the Bursar's office, the correction and implementation of the continued practice of allowing students to register with an outstanding balance, was not completed.

Corrective Action Plan:

LSUS has developed written policies and procedures for future semesters as it relates to outstanding student balances. In addition, Information Technology Services (ITS) has developed programming within the Student Information System that will prevent a student from registering for classes if the student has an outstanding balance with the University. LSUS began communicating with the students that they would be unable to register with a financial hold on their account. As part of the ITS programming, a student currently gets a message that they have a financial hold on their account if they have an outstanding balance. However, if they proceed with registration, the system will allow it, as the fully tested, implemented version is not yet functional. This "hold" message has resulted in students not finishing the registration process and contacting the Bursar's office to clear up their accounts.

Completed programming in the Student Information System will be placed into production in the Fall 2020 semester and will be effective for Spring 2021 prohibiting students with a balance from registering for classes.

The student communication process and implementation of the registration hold will be a **joint effort between Accounting Services – Beth Anderson and Cakeita Richmond, 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 Cakeita Richmond.**

- **Employees are unable to generate an aged receivables report.**
Aged Receivables reports may now be generated directly from the Student Information System. However, they are currently inaccurate due to years of improperly using the sub-ledger functions within the Student Information System. Again, due to limited staff and turnover in Accounting Services and the Bursar's office, reconciliations and corrections to the sub-ledger are in progress but not yet completed.


In the interim, LSUS continues to download data quarterly from each student account within the SIS into a spreadsheet and analyze 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 work force, 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.

By the end of December 2020, LSUS plans to have the sub-ledger and ledger reconciled and the aged receivables report functional for managing the collection process.

This process is the **responsibility of Accounting Services – Beth Anderson and Cakeita Richmond.**



Barbie Cannon
Vice Chancellor, Business Affairs



Date



Larry Clark
Chancellor



Date



Office of Business Affairs
318.797.5278 Phone
318.798.4141 Fax

One University Place
Shreveport, LA 71115-2399

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

May 26, 2020

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LSUS is committed to proper administration of our records. As our enrollment has doubled over the past four years from approximately 4,000 to 8,000, LSUS has worked to implement processes and procedures to maintain the growth, provide customer service and all the while not having been able to increase staff. Also during this time, we have had to work through the implementation of a new ERP (Workday), along with going to shared services with LSU. Positions crucial to the success of the processes were in flux and unmanned for almost the first year of operating on the new ERP. Many changes were necessary to operate within the parameters of the new ERP as well as within a shared services model. As the crucial positions were filled, time was needed for those employees to understand the past as well as what was needed for the future. We feel implementing the procedures outlined below will aid in addressing the findings and recommendations.

Finding: Bank Reconciliations Not Performed

Management concurs with the finding that LSUS has not completed bank reconciliations in their entirety for the audit period. Various aspects of reconciliation were completed. For example, clearing deposits and disbursements between Integrow and the bank statement as part of the reconciliation process were completed. LSUS failed to correct all discrepancies and balance Integrow with the bank statements to completion.

Bank Reconciliations Not Performed

Response:

LSUS will write and implement policies and procedures for accurately reconciling the bank account in its entirety. LSUS has already begun to make changes to the reconciliation process including identifying and running reports required for reconciliation. As well, LSUS has identified certain data that must be entered into the system to provide for easily cross-referencing Integrow transactions to the bank statement. Clearing transactions will be done in a timely manner as well as correction of any discrepancies found while clearing transactions. As we are currently implementing these processes, LSUS has discovered that the percentage of inaccuracy of the books to the bank statement has been minimal. There has been no evidence of fraudulent activity discovered, only that as we have moved to operating with two systems (Integrow and Workday), the processes and procedures for reconciling the bank statement needed to be updated and improved.

Corrective Action Plan:

LSUS is well on their way to completing the reconciliations not previously completed. LSUS will have all bank reconciliations through fiscal year 19/20 completed by July 31, 2020. Policies and procedures will be established and adhered to from this point forward. Transactions will be reconciled, recorded and/or corrected within a weekly timeframe. The Director of Accounting Services will review the monthly reconciliation upon completion.

The bank reconciliations will be the responsibility of the Bursar's Office with oversight by the Director of Accounting Services.




Barbie Cannon
Vice Chancellor, Business Affairs



Date



Larry Clark
Chancellor



Date



SHREVEPORT

Chancellor's Office
318.797.5200 (Fax)

June 23, 2020

One University Place
Shreveport, LA 71115-2399

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

Dear Mr. Purpera:

Our Management Responses are below for the audit finding presented to our campus via email from Rebecca Marcantel dated June 9, 2020, which covered the 2019-20 fiscal years.

Duplicate Payment for Additional Compensation for \$12,000

Finding: Weakness in Controls over Payroll

Management concurs in part with the finding regarding the duplicate payment for additional compensation. The employee did enter a duplicate payment into the ERP system, Workday. Because of how the ERP was implemented, the employee entering the payment is unable to see the entered payment until it is further approved by a manager of the department. Because the manager of the department had not approved the payment by the following day, the employee reentered the additional compensation a second time. The manager of the department approved both entered payments inadvertently without questioning. The approval of payments in the ERP, Workday, by the manager, should be the point in which these errors are caught. Because these errors are not systemic in nature, but rather inadvertent mistakes, LSUS is partially concurring with this finding.

Response: Weakness in Controls over Payroll

Once the error was found by the auditors, LSUS promptly corrected the error and retracted the overpayment from the employee on 05/21/20. Proof of recoupment has been provided. Since this finding, an additional level of review was implemented. Since March 2020, Workday now has safeguards built in so that every payment or compensation change entered by one HR representative now has to be approved by a different HR representative before it goes to the hiring manager for approval. As is currently happening within the approval process, the manager of the department will continue to approve. Adding the additional Human Resources approval will safeguard against inadvertent mistakes such as the one discovered.

Timesheet Not Completed and Approved by Supervisor

Finding: Weakness in Controls over Payroll

Management concurs that the completed timesheet approved by a supervisor for one employee out of 21 was not located for one pay period in 2019. The employee worked within facility services. During that period, a manual time clock was being utilized. Time-cards were signed by the employee and supervisor prior to being entered into the ERP, Workday. The time-cards were then filed manually in files to be stored for future need. This time-card was unable to be located at time of audit.

Response: Weakness in Controls over Payroll

With the hire of a new facilities director, a new timekeeping system has been implemented. The system, When I Work, is computer based and stores time sheets electronically. Each morning the administrative assistant, assigned a timekeeper role, runs a report to verify the previous days' time for each employee. Any corrections and/or time-off verifications are made. At this juncture, employee and supervisor sign off on the time. These verified signed report copies are scanned and kept electronically on the University's server.

Two Employees Did Not Certify Their Time & Attendance Monthly (RS 17:3311.A.(3))

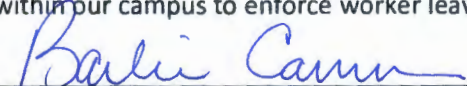
Finding: Weakness in Controls over Payroll

Management does not concur with this finding. On July 1, 2016, LSU Shreveport went on a newly implemented ERP, Workday, under a shared services model with LSU A&M. LSUS was rolled under LSU A&M's tax ID. In the Shared Services model, certain administrative functions, previously handled by LSU Shreveport, moved over to the LSU A&M campus. LSU A&M now handles many administrative payroll functions, including but not limited to the following: W-2's, 1095-C's, garnishments, benefits administration, direct deposit changes, payroll deducts and leave certification.

LSU A&M administers Leave Certification for all LSU Campuses in Workday. LSU A&M designed and set up the Leave Certification process in their MyLSU portal (LSU A&M owned). As part of the leave certification administration, LSU A&M HRM sends an email to all employees required to certify their leave each month. In the email, employees are instructed to login to the MyLSU portal (LSU A&M owned). LSUS doesn't have access to monitor whether or not an employee has completed their leave certification. For administrative functions that are handled through LSU A&M, LSUS does not have access to these systems or processes. For example, LSUS does not have access to make direct deposit changes, enter payroll deducts, garnishments, W-2's, 1095-C's, benefits and other shared services functions. The same is true for leave certification. The LSUS HR office routinely notifies employees of leave certification requirements, direct deposit related items, W-2's and 1095-C's but LSU A&M handles the administration of these functions. This finding should not be given to LSUS as it is part of shared services model over which we have no control.

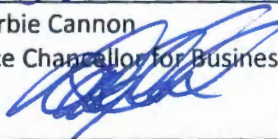
Response: Weakness in Controls over Payroll

LSUS believes that under the current shared services model that worker leave certification should be handled consistently by LSU A&M for all LSU campuses in Workday as it is not just limited to LSUS. Conversations have occurred in cross-campus calls related to worker certification and the limitations imposed by Workday on the other campuses. If so desired, LSU A&M could design a monthly report that is sent after 15 days to "leave partners" and supervisors to monitor non-compliance. Again, this should be consistently handled across all LSU Workday campuses. If LSUS is able to access this report, management would design and implement a process within our campus to enforce worker leave certification.



Barbie Cannon
Vice Chancellor for Business Affairs

6/26/20
Date



Larry Clark
Chancellor

6/26/20
Date

June 19, 2020

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

Dear Mr. Purpera:

Our Management Responses are below for the audit finding presented to our campus via email from Rebecca Marcantel dated June 9, 2020, which covered the 2019-20 fiscal years.

Finding: Possible Improper One-Time Salary Supplement to Employees

Louisiana State University at Shreveport (LSUS) may have violated state law when it paid its employees a one-time salary supplement during fiscal year 2019. Attorney General (AG) Opinion No. 10-0299 notes that payments of additional compensation to public employees, in order to be constitutionally valid, must be in the form of prospective salary increases. The payments appear to be bonuses, which are prohibited under state law. Management should seek an opinion from the Attorney General to distinguish the one-time salary supplements given from prohibited bonuses.

Response: Possible Improper One-Time Salary Supplement to Employees

LSUS does not concur with the individual finding of an improper payment. However, LSUS concurs with the recommendation for the University to seek an opinion from the Attorney General to distinguish the one-time salary supplements given from prohibited bonuses.

Basis for Disagreement:

The audit finding characterizes the payment of the one-time LSUS salary supplement to faculty and unclassified staff as being a retroactive payment or bonus. By its timing, it certainly has this appearance. However, the intent of LSUS was much different. The request to provide a salary increase to faculty and unclassified staff was made to then LSU President F. King Alexander during Chancellor Clark's annual goal setting meeting in August, 2018- it was item #1 on a list of priorities.

Matter	Information
1. Approve possible pay raises (possibly one-time) for LSUS faculty & unclassified staff .	LSUS faculty & unclassified staff have had only one campus wide pay raise (max of 3% raise) since 2008.

The request was approved in August 2018. At that time, we had sufficient confidence in our revenues to have then implemented a one-time salary supplement to faculty and unclassified staff. In retrospect, we should have implemented then. However, we delayed because we were hopeful to provide a **permanent** raise to faculty and unclassified staff because of how critical it was (and still is). This is true because of the great salary compression and inequities at LSUS, aggravated by new hires to LSUS since 2008 beginning at market salaries. The LSUS Planning Council voted unanimously in favor of LSUS trying every means possible to make any pay raise a permanent pay raise.

The ability for LSUS to execute a **permanent** pay raise was contingent upon the level of growth in our online enrollment. In retrospect, we waited too long into the fiscal year to determine that we could only

do a one-time salary supplement (paid over two pay periods). However, it is important to note that President Alexander approved the request for a one-time salary supplement (that he determined did not have to go to the LSU Board of Supervisors for approval).

On Feb 7, 2019, at 11:50 AM, **Clark, Larry** <Larry.Clark@lsus.edu> wrote:
King: The purpose of this message is to request your permission and support for LSUS to seek permission from the LSU Board of Supervisors to grant a one-time pay supplement to all LSUS continuing full-time faculty and all unclassified staff of good standing as of 6/30/18.

From: **F King Alexander** [fka@lsu.edu]
On Feb 11, 2019 11:59 AM, Alexander, F. King <fka@lsu.edu> wrote:
I'm fine with it because you weren't able to do anything last summer [emphasis added]
Is this your first increase or second in the last decade.?
F. King Alexander

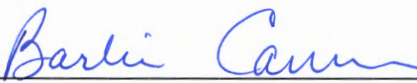
It is important to note that the one-time salary supplement approved by President Alexander involved the same method and manner for compensating faculty and unclassified staff that was approved by his predecessor for LSUS for the 2013-14 fiscal years.

Because of the many challenges of handling the one-time salary raise through the LSU Workday enterprise system, the actual checks to faculty and unclassified staff did not happen until late spring. However, at all times we were working closely with LSU, including directly with Dr. Daniel T. Layzell, LSU Executive Vice President for Finance and Administration/CFO.

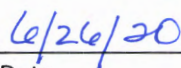
We believe that it is important to state that we had no intent to break the law. No one from either LSUS or LSU, including me as Chancellor, recognized that the ultimate late payments to LSUS faculty and unclassified staff might be characterized as a possible illegal bonus. As a result of our interaction with the Legislative Internal Auditors, we now understand why the late timing of our one-time salary raise, although paid over two payments, is problematic. We will heed going forward. However, we believe the pay raise that occurred should be permitted to stand.

Corrective Action Plan to Avoid Future Question:

As a result of the internal audit, LSUS understands and accepts that going forward the University needs to specifically budget or create an obligation for any salary increases at or very near the beginning of a fiscal year. To do so will help insure that salary increases will be for future services or for additional, unusual or extra ordinary duties, rather than compensation for services already rendered or not rendered at all.



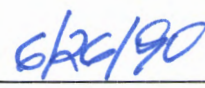
Barbie Cannon



Date



Larry Clark
Chancellor



Date



SHREVEPORT

Chancellor's Office
318.797.5200 (Fax) 318.797.5180

One University Place
Shreveport, LA 71115-2399

July 9, 2020

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

RE: Further Input Concerning "LSUS One-Time Salary Supplement to Employees in Fiscal Year 2018-19"

Dear Mr. Purpera:

This letter is in further response to audit finding presented to our campus via email from Rebecca Marcantel dated June 9, 2020, which covered the 2019-20 fiscal years. In particular, as to the following finding:

Finding: Possible Improper One-Time Salary Supplement to Employees

Louisiana State University at Shreveport (LSUS) may have violated state law when it paid its employees a one-time salary supplement during fiscal year 2019. Attorney General (AG) Opinion No. 10-0299 notes that payments of additional compensation to public employees, in order to be constitutionally valid, must be in the form of prospective salary increases. The payments appear to be bonuses, which are prohibited under state law. Management should seek an opinion from the Attorney General to distinguish the one-time salary supplements given from prohibited bonuses.

In my letter of June 19, 2020 to you, I provided a copy of an email exchange between then LSU President F. King Alexander and myself whereby I requested his approval for the one-time pay raises. This is the exchange:

On Feb 7, 2019, at 11:50 AM, **Clark, Larry** <Larry.Clark@lsus.edu> wrote:

King: The purpose of this message is to request your permission and support for LSUS to seek permission from the LSU Board of Supervisors to grant a one-time pay supplement to all LSUS continuing full-time faculty and all unclassified staff of good standing as of 6/30/18.

From: **F King Alexander** [fka@lsu.edu]

On Feb 11, 2019 11:59 AM, Alexander, F. King <fka@lsu.edu> wrote:

I'm fine with it because you weren't able to do anything last summer [emphasis added].

Is this your first increase or second in the last decade.?

F. King Alexander

The discussion between President Alexander and me had begun during my annual review in his office on August 10, 2018. Unfortunately, by President Alexander's preference, there is no record of the meeting. In regard to a possible salary increase for LSUS faculty, our primary discussion concerned our ability to provide a permanent raise versus a possible one-time raise. We agreed that more time was needed to know the extent to which projected online enrollment growth would be realized during the 2018-19 academic year. From this focus, ultimately came the request on 2/7/19 that LSUS be allowed to provide a one-time salary increase (a request approved on 2/11/19 by President Alexander).

What has been determined to have inappropriately happened during the 2018-19 fiscal year almost was repeated during the past fiscal year. Here is why.

- 8/21/19. I sent to LSU Chief of Staff Ashley Arceneaux input concerning my personal review and our LSUS strategic priorities for the 2019-20 academic year. Goal 8 stated: "Provide some level of permanent pay raises for LSUS faculty and non-classified staff (only two permanent raises (with 3% caps) since 2008)."
- 10/2/19. The review meeting between President Alexander and myself finally occurred. Goal 8 was discussed. By then, it was known that higher education entities could not provide permanent salary increases during the 2019-20 fiscal year (even though LSUS had budgeted to do this). As such, our discussion focused upon the possibility of a one-time salary increase for LSUS faculty and non-classified staff.
- After further inquiry, it was determined that the ban on permanent salary increases also prevent a one-time salary increase for faculty and non-classified staff.
- Of importance to this audit finding, neither year was the possible timing of our proposed compensation to faculty and non-classified staff ever a matter of discussion between President Alexander and myself.

LSU Shreveport's motivation was to compensate our dedicated, hard-working LSUS faculty and non-classified staff who have gone too many years without any salary increase from the State of Louisiana. It was a surprise to learn that our salary increase action was contrary to state law, especially since we had received written approval for this action. However, we now understand from the Legislative Internal Audit process that our securing approval and the initiation of compensation to faculty and non-classified employees should occur close in time to the start of the applicable fiscal year of compensation.



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, 2018, through June 30, 2020. Our objective was to evaluate certain controls LSUS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is 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 LSUS's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LSUS is a 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'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 LSUS.
- Based on the documentation of LSUS's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to Cash, Student Tuition and Fee Revenues, Reconciliation of Integrow to Workday, and Payroll and Personnel Expenses.
- We compared the most current and prior-year financial activity using LSUS's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LSUS's 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'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 purpose.