

UNIVERSITY OF LOUISIANA AT LAFAYETTE

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued March 26, 2025

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

University of Louisiana at Lafayette



March 2025

Audit Control # 80240045

Introduction

As a part of our audit of the University of Louisiana System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2024, we performed procedures at the University of Louisiana at Lafayette (UL Lafayette) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of UL Lafayette's internal controls over financial reporting and compliance; and determine whether UL Lafayette complied with applicable laws and regulations.

We also determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the UL Lafayette management letter dated March 20, 2024. The prior-year findings related to Untimely Billing Related to Grant and Contract Agreements; Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards; and Noncompliance with Subrecipient Monitoring Requirements have not been resolved and are addressed again in this letter.

Current-year Findings

Untimely Billing Related to Grant and Contract Agreements

For the third consecutive year, UL Lafayette did not bill for federal, state, local, and nongovernmental grants and contracts revenue timely in accordance with contract terms and internal policy.

We sampled 40 federal, state, local, and nongovernmental grants and contracts revenue transactions recorded between July 1, 2023, and June 30, 2024, and traced the transactions to their respective invoice/reimbursement requests. We noted 12

(30%) of the invoices selected were billed between 61 and 185 days (average of 120 days) late. In addition, five (12.5%) of the invoices included transactions for multiple billing periods.

Individual contracts and agreements require UL Lafayette to submit billings and supporting information within a specific time period. If the contract/grant award was silent as to the billing frequency, we used additional information gathered from UL Lafayette's approved Award Data Sheets, which specify invoice frequency. Additionally, UL Lafayette's billing policies require that expenditure activity for federal, state, local, and nongovernmental awards issued to UL Lafayette be reviewed for billing on a monthly basis.

Failure to bill timely causes noncompliance with the contract, agreement, and/or internal policy. Additionally, untimely billing increases the risk that receivable accounts could become uncollectable.

UL Lafayette management acknowledges that UL Lafayette policy states that the expenditure activity must be reviewed on a monthly basis, and the billing policy specifies that expenditures must be reviewed on a monthly basis. Management stated that the delays in billing were primarily due to staff shortages and high employee turnover over the last couple of years.

Management should ensure billings are submitted timely and in accordance with contract or agreement terms and UL Lafayette's internal policy. Management partially concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards

For the fourth consecutive year, UL Lafayette did not have adequate controls in place to ensure personnel expenses charged to federal Research and Development (R&D) awards accurately reflected work performed. Inadequate controls related to federal documentation standards for personnel expenses could result in noncompliance with federal allowable costs and cost principles, as well as noncompliance with special tests and provisions related to key personnel effort.

From a population of 14,024 payroll and non-payroll expenses charged to R&D grants for the fiscal year ending June 30, 2024, a sample of 25 transactions were tested for compliance with allowable costs and cost principles requirements. For three (12%) of the payroll transactions, UL Lafayette was unable to provide documentation to show that personnel-related expenses totaling \$18,707 were supported by time and effort certifications to ensure the accuracy of budget estimates charged to federal awards as required by federal regulations.

Additionally, UL Lafayette did not perform time and effort certifications for the period January 1, 2024, through June 30, 2024. Because there is no after-the-fact review to ensure the accuracy of personnel costs and efforts charged to the awards,

UL Lafayette could not ensure compliance with the requirements of special tests and provisions related to key personnel effort.

UL Lafayette noted in its prior-year corrective action that certifications for employees charging time to federal awards would be required annually. Annual certifications are not sufficient to timely detect changes in key personnel effort and ensure prior approvals are obtained when applicable. Furthermore, UL Lafayette noted that the next effort reporting cycle would cover July 1, 2023, through December 31, 2023. The time certification period only covered half of the audit period. As a result, time and effort certifications were not completed by employees on the latter half of the audit period to support that the charges to federal awards for salaries and wages were based on records that accurately reflect the work performed during this period.

Management should strengthen internal controls to ensure that personnel expenses charged to the federal awards are supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. Additionally, management should revise the Time & Effort Certification policy and/or implement alternative controls designed to ensure compliance with Special Tests & Provisions requirements. Management should monitor changes in effort for key personnel and ensure that prior written approval is obtained from the federal grantor for changes that exceed the thresholds set in federal regulations. Management partially concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Noncompliance with Subrecipient Monitoring Requirements

For the fourth consecutive year, UL Lafayette did not adequately monitor subrecipients of the R&D Cluster Programs. Failure to properly monitor subrecipients results in noncompliance with federal regulations and increases the likelihood of improper payments which may have to be returned to the federal awarding agency.

In a sample of seven subawards out of a population of 50 subawards, it was noted that for six (85.7%) of the subrecipients evaluated, UL Lafayette could not provide evidence that the financial and performance reports required by the subaward agreement were obtained and reviewed by UL Lafayette. For three (42.9%) of the subrecipients evaluated, UL Lafayette could not provide evidence that the required risk analyses were performed to evaluate each subrecipients' fraud risk and risk of noncompliance with federal regulations and the terms of the subaward. For two of the subrecipients reviewed (28.6%), UL Lafayette was unable to provide documentation that ensured each subrecipient obtained the required audit and that the audit was reviewed so that timely and appropriate action could be taken for any findings pertaining to the federal awards, as required by federal regulations. Additionally, for one (14.3%) of the subrecipients evaluated, the subaward documents did not contain the federal award date as required by federal regulations.

UL Lafayette should strengthen controls to ensure that all required financial and performance reports are obtained and reviewed and that all required subrecipient audit reports are obtained and reviewed in order to evaluate the impact of any

findings noted by the audit and issue management decision letters, if applicable. In addition, UL Lafayette should strengthen controls to ensure that required information is included in the subaward documents and that risk assessments are performed and documented on all subrecipients in accordance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

Noncompliance with Period of Performance Requirements

UL Lafayette did not ensure that all expenses charged to federal R&D awards complied with the period of performance requirements. From a population of 166 R&D grants with expenses totaling \$6,720,454 and periods of performance starting or ending during the fiscal year ending June 30, 2024, a sample of 17 grants was tested for compliance with period of performance requirements. For two (11.8%) of the 17 grants tested, expenses totaling \$63,790 were identified as noncompliant with the period of performance requirements.

Federal regulations state that a non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's period of performance and that all financial obligations incurred under the federal award must be liquidated no later than 120 calendar days after the conclusion of the period of performance. One of the two grants had expenses totaling \$28,833 that were incurred after the period of performance. For the other grant, UL Lafayette failed to liquidate obligations, totaling \$34,957, incurred during the period of performance, within 120 days after the end the period of performance.

Noncompliance with the period of performance requirements increases the risk that expenses could be disallowed and not reimbursed by the awarding agency. Management should strengthen their procedures and controls that are in place to ensure that all expenses incurred on federal R&D grants comply with the period of performance requirements. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 7-8).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2024, we considered UL Lafayette's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets – Cash and Cash Equivalents, Investments, Due from State Treasury, and Capital Assets

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

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees net of Scholarship Allowances, Federal Grants and Contracts, State and Local Grants and Contracts, Nongovernmental Grants and Contracts, Auxiliary Revenues net of Scholarship Allowances, State Appropriations, Federal Nonoperating Revenues, and Capital Grants and Gifts

Expenses - Educational and General, and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we reported a finding related to Untimely Billing Related to Grant and Contract Agreements, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2024, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on UL Lafayette's major federal programs, as follows:

- Research and Development Cluster
- Student Financial Assistance Cluster

Those tests included evaluating the effectiveness of UL Lafayette's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether UL Lafayette complied with applicable program requirements. In addition, we performed certain procedures on information submitted by UL Lafayette to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards; Noncompliance with Subrecipient Monitoring Requirements; and Noncompliance with Period of Performance Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2024. In addition, UL Lafayette's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using UL Lafayette's Annual Fiscal Reports and/or system-generated reports and obtained explanations from UL Lafayette's management for any significant variances.

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

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

RCE:JPT:BQD:aa

UL LAFAYETTE2024

APPENDIX A: MANAGEMENT'S RESPONSES



January 8, 2025

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Please find below the University's management response to the audit finding titled **"Untimely Billing of Grants and Contracts."**

Management Response:

The University partially concurs with the finding.

While untimely billing has been identified in the FY 2024 audit findings and aligns with previous years' reports, significant progress has been made in reducing delays and improving processes despite ongoing challenges such as high turnover and staffing shortages within the Office of Sponsored Programs Finance Administration and Compliance (SPFAC).

It is important to note that internal policy states awards should be reviewed for billing on a monthly basis; however, the specific terms of each award ultimately determine whether a billing is considered untimely. For example, one invoice identified as 183 days late in this report was, in fact, a revised version of a previously submitted invoice that met the internal timeline requirements.

In FY 2024, we achieved a marked improvement and, while there is still room for growth, this improvement demonstrates our commitment to better aligning with contract terms and internal policies.

Corrective Actions:

Our efforts to address this issue are ongoing, and we are confident that additional measures planned for 2025 will lead to further progress. These measures include:

1. Expanding recruitment strategies to attract top talent in grants accounting. This will include securing talented grant accountants from Attain Consulting group or a similar contracting firm.
2. Exploring electronic billing solutions through the Ellucian Banner Financial System.
3. Cross-training existing staff to strengthen our capacity for timely invoicing and compliance with contractual requirements.

The University remains committed to making continuous improvements and appreciates your understanding and support as we address these challenges.

Sincerely,



Judith Maina
Director, SPFAC



Mr. Jerry LeBlanc
Vice President for Administration and Finance



Dr. E. Joseph Savoie
President



February 3, 2025

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Please find below the University's management response to the audit finding titled "Control Weakness and Noncompliance with Personnel Expenses Charged to Federal Awards."

Management Response:

The University partially concurs with the finding.

The audit finding states that UL Lafayette did not perform time and effort certifications for the period January 1, 2024, through June 30, 2024. However, we clarify that these certifications were not intentionally omitted. As outlined in our prior response, the University has been transitioning from a manual to an electronic effort certification system. In the transition, we had opted shifting from a fiscal-year-based reporting framework to a calendar-year-based framework. The effort certifications for the period in question are scheduled for completion by April 15, 2025, at which point they will fully support that salaries and wages charged to federal awards are based on records accurately reflecting work performed.

Corrective Actions:

- The University has developed a structured plan to complete the January 1, 2024 – June 30, 2024 effort certifications, ensuring compliance with 2 CFR §200.430(i), which requires after-the-fact confirmation of personnel costs.
- The Standard Operating Procedure (SOP) will be updated to require biannual effort reporting, enhancing monitoring of personnel effort.
- The University will retain the full calendar-year effort reports (January 1, 2024 – December 31, 2024), including the January 1, 2024 – June 30, 2024 period, electronically on file for audit and compliance purposes.

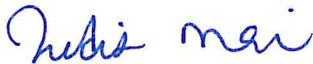
Planned Actions:

- **Completion of Effort Certifications:** The University will finalize and retain the calendar-year effort reports for January 1, 2024 – December 31, 2024, by April 15, 2025, ensuring compliance with federal regulations and addressing audit concerns.

- Transition to Biannual Effort Reporting: Effective FY 2025, UL Lafayette will implement biannual effort reporting to enhance compliance and personnel effort monitoring. The updated SOP will reflect this change.
- The University will make every effort to secure effort certification for Key personnel leaving the university prior to their departure.

The University remains committed to making continuous improvements and appreciates your understanding and support as we address these challenges.

Sincerely,



Judith Maina
Director, SPFAC



Mr. Jerry LeBlanc
Vice President for Administration and Finance



Dr. E. Joseph Savoie
President

February 3, 2025

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Please find below the University's management response to the audit finding titled "Noncompliance with Subrecipient Monitoring Requirements".

Management Response:

The University concurs with the audit finding and has taken steps to address the issue.

To enhance compliance, the Sponsored Programs Finance Administration and Compliance (SPFAC) office conducted mandatory refresher training on subaward processing in accordance with federal regulations on April 22, 2024. The training was led by the Sponsored Programs Administration Manager and attended by all Sponsored Programs Administrators. Despite these efforts, staffing challenges continue to impact full implementation of subrecipient monitoring procedures.

Reasons for Finding's Recurrence

- **Staff Attrition:** High turnover has limited personnel expertise in subrecipient monitoring.
- **Loss of Institutional Knowledge:** Frequent staffing changes have disrupted training continuity and knowledge retention.
- **Increased Workload:** A growing research portfolio and outdated systems have delayed implementation of prior corrective actions.
- **System Limitations:** Existing processes, designed for a smaller research operation, struggle to meet increasing demands, compounding compliance challenges.

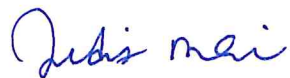
Revised Corrective Actions Planned

To continue addressing these challenges and ensure sustainable compliance, the University is implementing the following corrective measures under the supervision of the Department's Director:

- **Recruitment & Retention Strategies:** Exploring new approaches to attract and retain qualified SPFAC personnel.
- **Dedicated Subaward Compliance Position:** Establishing a specialist role to oversee subrecipient monitoring.
- **Structured Training Program:** Enhancing onboarding for new hires to improve compliance readiness.
- **Technology Enhancements:** Leveraging automation to streamline subrecipient monitoring and reduce administrative burden.

The University remains committed to making continuous improvements and appreciates your understanding and support as we address these challenges.

Sincerely,



Judith Maina
Director, SPFAC



Mr. Jerry LeBlanc
Vice President for Administration and Finance



Dr. E. Joseph Savoie
President



February 26, 2025

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Waguespack,

Please find below the University's management response to the audit finding titled "Noncompliance with Period of Performance Requirements."

Management Response:

The University concurs with the audit finding.

Expense Posting Delay (\$28,833):

This salary charge reflects work performed within the approved award period. The delay occurred because the Personnel Action Form was received after the June payroll run, resulting in disbursements in July and August. Although the work was completed on time, the payroll posting did not align with the period of performance requirements. We are reviewing our processes to ensure all required documentation is received and processed promptly.

Liquidation of Obligations (\$34,957):

The University failed to liquidate obligations totaling \$34,957 within 120 days following the period of performance. This shortfall is due to staffing challenges in the Sponsored Programs Finance Administration and Compliance (SPFAC) Department. The University is actively exploring strategies to attract and retain qualified grant accountants to improve timely fund closeouts.

Additional Mitigation Measures

1. Engaging External Consultants:

- The University will engage an outside consultant to assess the university's research and administration structure, identifying opportunities to enhance processes and ensure compliance.
- The University is retaining interim professional staffing to assist with invoicing and pre-audit review and to provide functional and technical expertise.

2. Deployment of an Electronic Research Administration System (eRA)

- The University has begun identifying and implementing an electronic research administration system to transform grant management by offering a centralized platform that automates the entire lifecycle from proposal to closeout, minimizing manual errors while ensuring policy compliance and providing clear portfolio visibility through comprehensive reporting capabilities.

The SPFAC Director will oversee the implementation of these corrective actions.

Sincerely,



Judith Maina
Director, SPFAC



Mr. Jerry LeBlanc
Vice President for Administration and Finance



Dr. E. Joseph Savoie
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of Louisiana at Lafayette (UL Lafayette) for the period from July 1, 2023, through June 30, 2024, to provide assurances on financial information significant to the University of Louisiana System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2024.

- We evaluated UL Lafayette'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 UL Lafayette.
- Based on the documentation of UL Lafayette's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the Research and Development Cluster and the Student Financial Assistance Cluster for the year ended June 30, 2024, as a part of the 2024 Single Audit.
- We performed certain procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2024, as a part of the 2024 Single Audit.
- We compared the most current and prior-year financial activity using UL Lafayette's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from UL Lafayette's management for significant variances.

The purpose of this report is solely to describe the scope of our work at UL Lafayette, and not to provide an opinion on the effectiveness of UL Lafayette's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

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