

SOUTHEASTERN LOUISIANA UNIVERSITY

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued April 3, 2024

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

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
BETH Q. DAVIS, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3576 or Report ID No. 80230072 for additional information.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.25. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Jenifer Schaye, General Counsel, at 225-339-3800.

Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Southeastern Louisiana University



April 2024

Audit Control # 80230072

Introduction

As a part of our audit of the University of Louisiana (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2023 we performed procedures at Southeastern Louisiana University (Southeastern) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of Southeastern's internal controls over financial reporting and compliance; and determine whether Southeastern complied with applicable laws and regulations.

Results of Our Procedures

Current-year Finding

Weakness in Controls over Information Technology

In February 2023, a cybersecurity event occurred at Southeastern. Southeastern did not have adequate controls over certain information technology functions and cyber-related response documentation. Due to their sensitive nature, we have communicated the specific weaknesses confidentially to Southeastern. A lack of adequate controls over information technology increases the risk of insecure applications and devices. Inadequate response documentation may also preclude Southeastern from supporting that a potentially adverse event was negligible or isolated and did not cause error or fraud in financial reporting.

We evaluated Southeastern's information technology controls over financial reporting based on best practices as defined by *Control Objectives for Information and Related Technology*, a framework by the Information Systems Audit and Control Association as well as guidance provided by the National Institute of Standards and Technology (NIST).

Southeastern should improve its security controls and incident response documentation procedures. These procedures should clearly address retention of appropriate records and documentation, define responsibilities of outside parties, and delineate any business and legal-related components of incident response.

Additionally, Southeastern should require all outside parties involved in incident response to document their activities in detail according to NIST guidance and obtain these records as evidence of successful incident response and remediation. Management did not concur with the finding, asserting that it maintained adequate controls over its information technology functions before, during, and after the incident; followed established response procedures utilizing the protocol established by the state's Emergency Operations Plan to engage the Emergency Support Function 17 (ESF-17) to respond to the incident and strengthen Southeastern's network domains; and the information collected by the outside parties was not provided to Southeastern due to an on-going criminal investigation (see Appendix A).

Additional Comments:

The controls in place were not adequate to prevent the event from occurring. Southeastern's inadequate documentation of the event did not support that the existing controls, policies, and procedures were sufficient to address the event's risk to financial reporting. In addition, the recommended requirement for third parties that performed security functions on Southeastern's behalf to provide appropriate documentation of their activities is essential for proper incident response. The ultimate responsibility for providing assurance of data integrity and for recording details during and following an adverse event belongs to Southeastern.

Financial Statements - University System Name

As a part of our audit of the System's financial statements for the year ended June 30, 2023, we considered Southeastern'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, Due from State Treasury, and Capital Assets

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

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Student Tuition and Fees Net of Scholarship Allowances, Auxiliary Revenues Net of Scholarship Allowances, State Appropriations, Federal Nonoperating Revenues

Expenses – Educational and General Expenses

Based on the results of these procedures, we reported a finding related to Weakness in Controls over Information Technology, 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, 2023, we performed certain procedures 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 information submitted by Southeastern 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 and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings.

Based on the results of these procedures, we did not report any findings. In addition, Southeastern's information submitted for the preparation of the state's Schedule of Expenditures of Federal Awards and the state's Summary Schedule of Prior Audit Findings is materially correct.

Trend Analysis

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

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of Southeastern. The nature of the recommendation, its implementation costs, and its potential impact on the operations of Southeastern should be considered in reaching decisions on courses of action.

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

LMF:JBM:BH:BQD:aa

SOUTHEASTERN2023

APPENDIX A: MANAGEMENT'S RESPONSE



March 15, 2024

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Weakness in Controls over Information Technology

Dear Mr. Waguespack:

I am in receipt of a letter dated March 8, 2024 from Ms. Jamie Morgan, Audit Manager, regarding an audit finding related to weakness in controls over information technology. Southeastern does not concur with this finding.

It is critical to note that Southeastern maintained adequate controls over its information technology functions before, during and after the 2023 incident. Southeastern followed established procedures in responding to the cyber incident, and Southeastern's cautious approach and cybersecurity infrastructure prevented any data loss or compromise.

It should also be noted that there is no evidence, from any source, that the incident had any impact on the financial statements, records or position of the institution. Furthermore, the University's financial system (Workday) is a cloud-based system that also had no indication of compromise. As such, the University of Louisiana System audit performed by the Louisiana Legislative Auditors for the 2022-2023 fiscal year, of which Southeastern was a part, found that the System's financial statements, as adjusted, were fairly stated.

Another key concern related to Southeastern's inability to concur is the fact that there were limitations on information shared by other state agencies, who played a key role in the response, even though such limitations are outside of the control of the institution and, therefore, should not rise to the level of a reportable finding.

The State of Louisiana adopted its coordinated response to emergencies and disaster response in Executive Order 2022-2. This executive order organized and coordinated various agencies within the executive branch into the Unified Command Group pursuant to LSA R.S. 29:725.6, which included, among other functions, cyber incident response. The state developed an Emergency Operation Plan (EOP) which further detailed the role of Emergency Support Function 17 (ESF-17). The ESF-17 team consists of Louisiana State Police Cyber Crimes Unit, the Louisiana National Guard and

other federal law enforcement partners in identifying, responding and mitigating threats to the state's cyber network. The cyber incident at Southeastern was first learned by ESF-17 as a possible bad actor utilizing malware and/or ransomware. Southeastern, utilizing the protocol established in the EOP, engaged with ESF-17 to respond to the incident. The information collected by ESF-17, resources deployed, and other measures were and are protected from disclosure as the cyber event was correspondingly investigated as a possible criminal event. The information gathered by ESF-17, again including State Police Cyber Crime Unit, the FBI and National Guard, was maintained by ESF-17 and not provided to Southeastern due to the on-going criminal investigation. The procedures established by the State of Louisiana effectively and efficiently ensured the protection of data and prevention of any compromise. ESF-17 ultimately prevented any harm occurring to Southeastern Louisiana University and strengthened the network's domains with hardware and software that was in the process of being enhanced prior to the event.

Such improvements include, but are not limited to, increased monitoring capabilities to enable real-time detection of suspicious activities, updated network infrastructure and enhanced protocols for risk assessments and internal audits. Southeastern has also refined incident response procedures to ensure swift and effective action in the event of any future incidents, to include improvements in documentation and support. Southeastern began refining its incident response procedures in consideration of guidance from the Board of Regents presented during the 2022 Louisiana Cyber Incident Readiness Workshop, which was attended by a leadership team from Southeastern, on November 9, 2022. It is expected that this refinement will be a continuous and on-going process and Southeastern remains committed to this work as we strive to safeguard the integrity, confidentiality and availability of data. The person responsible for the oversight of continued improvements will be the Chief Information Officer.

Should you have any questions or need additional information, please contact me at (985) 549-2282.

Sincerely,



Sam Domiano
Vice President for Administration & Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Southeastern Louisiana University (Southeastern) for the period from July 1, 2022, through June 30, 2023, 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, 2023.

- We evaluated Southeastern'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 Southeastern.
- Based on the documentation of Southeastern'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 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, 2023, as a part of the 2023 Single Audit.
- We compared the most current and prior-year financial activity using Southeastern's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Southeastern's management for significant variances.

The purpose of this report is solely to describe the scope of our work at Southeastern, and not to provide an opinion on the effectiveness of Southeastern'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 Southeastern's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. Southeastern's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.