

LOUISIANA STATE UNIVERSITY AND RELATED CAMPUSES

LOUISIANA STATE UNIVERSITY SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued February 21, 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

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



LSU and Related Campuses

February 2024

Audit Control # 80230081

Introduction

As a part of our audit of the Louisiana State University (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 the Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Louisiana State University of Alexandria, Louisiana State University at Eunice, and Louisiana State University Shreveport, collectively referred to as LSU and Related Campuses, to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of LSU and Related Campuses' internal controls over financial reporting and compliance; and determine whether LSU and Related Campuses complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year finding reported in the LSU and Related Campuses management letter dated March 29, 2023. The prior-year finding related to Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retention Requirements has not been resolved and is addressed again in this letter.

Current-year Findings

Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retention Requirements

For the third consecutive year, Louisiana State University and A&M College (LSU A&M) did not have adequate controls in place to accurately maintain active and inactive Federal Perkins Loan records in accordance with federal regulations. In a test of 60

LSU A&M active Perkins Loan student files from a population of 1,216 files subject to Perkins Loan recordkeeping and record retention requirements, signed repayment schedules for three (5%) files were not maintained in the fireproof safe in accordance with federal regulations. In a test of 60 LSU A&M inactive Perkins Loan student files from a population of 1,255 files subject to Perkins Loan recordkeeping and record retention requirements, LSU did not maintain required documentation for one (1.67%) file in accordance with federal regulations.

LSU did not design and implement adequate controls to ensure that Federal Perkins Loan active and inactive records are properly being maintained in accordance with Title 34 of the Code of Federal Regulations (CFR), Part 674, Section 19(e). Failure to implement controls over Perkins Loan recordkeeping and record retention could result in the loss of required documentation and noncompliance with federal regulations.

LSU A&M should design and implement controls over Perkins Loan recordkeeping and record retention requirements that ensure the federal record retention regulations are being followed and required documentation is being accurately maintained for the time period set forth by the U.S. Department of Education. Management concurred with the finding and provided a corrective action plan (see Appendix A, Pages 1-2).

Noncompliance with Federal Equipment Management Regulations at LSU A&M

LSU A&M did not comply with federal equipment management regulations. In a sample of 30 items purchased with Research and Development funds for LSU A&M, one item (3.33%) could not be located.

Federal regulations require that equipment records include the identification number, location, condition, source, and award number for each equipment item. LSU A&M did not have adequate controls in place to ensure that equipment was properly safeguarded against loss in accordance with 2 CFR 200.313.

Failure to comply with federal management regulations increases the risk that assets may be lost or stolen. Management should implement internal controls to ensure that equipment is properly safeguarded. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Financial Statements – Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2023, we considered LSU and Related Campuses' 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, and Capital Assets

Liabilities – Bonds Payable, Lease Liability, Finance Purchase Obligations, Due to Other Campuses, Total Other Postemployment Benefits Liability, and Net Pension Liability

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, Auxiliary Enterprise, State Appropriations, and Gifts

Expenses – Educational and General, and Auxiliary Enterprise

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested 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 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 LSU and Related Campuses' major federal program, the Research and Development Cluster.

Those tests included evaluating the effectiveness of LSU and Related Campuses' internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LSU and Related Campuses complied with applicable program requirements. In addition, we performed certain procedures on loan information submitted by LSU and Related Campuses 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 finding 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 a finding related to Noncompliance with Federal Equipment Management Regulations at LSU A&M. This finding will also be included in the Single Audit for the year ended June 30, 2023. In addition, LSU and Related Campuses' loan information submitted for the preparation of the state's SEFA 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 LSU and Related Campuses' Annual Fiscal Reports and/or system-generated reports and obtained explanations from LSU and Related Campuses' 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 LSU and Related Campuses. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LSU and Related Campuses should be considered in reaching decisions on courses of action. The findings related to LSU and Related Campuses' 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

ABM:ETM:JPT:BQD:ch

LSUANDRELATED2023

APPENDIX A: MANAGEMENT'S RESPONSES



Finance & Administration

January 24, 2024

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

Dear Mr. Waguespack,

In conjunction with the Single Audit for FY 2023, we concur with the finding concerning Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retention Requirements. As noted in the finding, the signed repayment schedules were not stored in the fireproof cabinet and the required documentation for inactive Perkins Loan student files was not maintained. LSU has already begun efforts towards compliance with Perkins Loan Recordkeeping and Record Retention Requirements and as such offer the below as a response to the finding.

Finding:

Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retentions Requirements

Perkins Loan Compliance Efforts and Response to Finding:

- Seasoned full-time employees are reviewing every active and inactive Perkins loan file to ensure any signed repayment schedule is included with the promissory note in the fireproof cabinet. As each file is checked, it is being marked with a sticker as reviewed and correct. If there any discrepancies, it is being noted with a different sticker for corrective action to be taken. This should be completed by June 30, 2024.
- We are unable to correct the finding on the inactive file. The original promissory note was sent to the US Department of Education when the loan was submitted for assignment. The US Department of Education accepted the loan. Therefore, LSU no longer has any ownership of the loan. When it was discovered that LSU could not locate a copy of the promissory note, US Department of Education was contacted to request a copy for our files. US Department of Education responded that because the promissory note contains personal identifiable information and LSU no longer has any interest in the loan, they could not provide a copy of the promissory note to us for our files. For any future loans assigned to US Department of Education, a certified copy of the promissory note will be retained.

Persons Responsible:

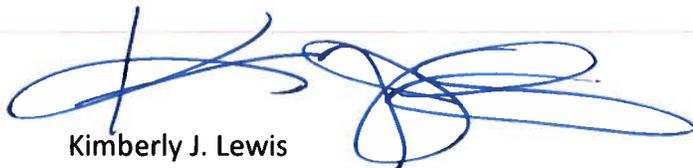
Melanie Powell, Director Bursar Operations

Rosalyn Lacey, Associate Director Bursar Operations

Kattie Gregoire, Manager Bursar Operations

Tamela Dickerson, Coordinator

Sincerely,



Kimberly J. Lewis

Executive Vice President of Finance and Administration
and Chief Administrative Officer



Finance & Administration

January 29, 2024

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

Dear Mr. Waguespack,

In conjunction with the Single Audit for FY 2023, we concur with the finding addressed in the letter dated January 26, 2024, concerning an unlocated asset on an oil rig in the Gulf of Mexico. Property Management has already begun addressing the finding by reviewing current written procedures and training material.

As requested in the letter, the following responses are given regarding the finding.

Finding:

Noncompliance with Federal Equipment Management Regulations at LSU A&M

Compliance Efforts and Response to Finding:

As noted in the finding, one asset (LSU# 723337) could not be located during testing. This equipment is a GPS transmitter/receiver and part of a network of Continuously Operating Reference Stations (CORS) in Louisiana for the LSU Center for Geoinformatics, in the College of Engineering. It was deployed on an oil platform (E1337A) in the Eugene Island region of the Gulf of Mexico. Multiple factors contributed to the loss of this equipment, including:

- The isolation of the oil platform. Access is by chartered flight, and security clearance is required. Thus, LSU must rely upon employees of the operating company for completion of any on-site tasks.
- When operational, this equipment can be observed online in real time, and identified by serial number which corresponds to our asset records. This is sufficient for our annual inventory verification process. If the equipment is offline for any reason, then a representative of the operating company would be needed to provide in-person verification for inventory purposes.
- In 2020, the device began exhibiting intermittent connectivity issues. Plans to send a new antenna cable to be installed were interrupted by a pandemic-related shutdown of

EI337A, the eventual bankruptcy of the platform operator, Fieldwood Energy, and turnover among Fieldwood staff related to same.

- Extensive efforts were made to identify and contact the current operator of EI337A, including traveling to the Broussard and Lafayette areas and cold calling several oil platform operators. Once successful, a representative of Arena Offshore advised that someone recalled the equipment having been removed and sent to an onshore storage warehouse. LSU has been unsuccessful thus far in learning its location and recovering the equipment.
- As LSU continued to pursue retrieval of the equipment, the department incorrectly reported the asset as located for annual inventory purposes under the belief that (due to its isolated/remote installation) the equipment remained in its last known location.

LSU# 723337 has been reported as unlocated on our most recent inventory certification on December 12, 2023. Efforts continue to locate the asset and, if found, it will be reactivated and placed back in service, or properly disposed.

Inventory procedures are being re-written to provide greater clarity of the standards for reporting an asset located, including how to handle when there are extenuating circumstances. Campus departments will receive training on the revised standards.

Anticipated Completion Date: June 30, 2024.

Persons Responsible:

Toliver Bozeman, Director Property Management

Jason Whitfield, Associate Director of Property Management

Sincerely,



Kimberly J. Lewis

Executive Vice President of Finance and Administration
and Chief Administrative Officer

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Louisiana State University of Alexandria, Louisiana State University at Eunice, and Louisiana State University Shreveport, collectively referred to as LSU and Related Campuses, for the period from July 1, 2022, through June 30, 2023, to provide assurances on financial information significant to the Louisiana State University 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 LSU and Related Campuses' 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 LSU and Related Campuses.
- Based on the documentation of LSU and Related Campuses' 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 for the year ended June 30, 2023, as a part of the 2023 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 finding 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 LSU and Related Campuses' Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LSU and Related Campuses' management for significant variances.

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