

# **LOUISIANA STATE UNIVERSITY AND RELATED CAMPUSES**

LOUISIANA STATE UNIVERSITY SYSTEM

FINANCIAL AUDIT SERVICES

**Management Letter**  
**Issued March 29, 2023**

**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**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



## LSU and Related Campuses

March 2023

Audit Control # 80220060

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## Introduction

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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, 2022, 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 findings reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LSU and Related Campuses management letter dated May 23, 2022. We determined that management has resolved the prior-year findings related to Noncompliance with and Inadequate Controls over Subrecipient Monitoring Requirements at Pennington Biomedical Research Center, Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund Costs, and Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund Reporting Requirements. 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.

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## Current-year Finding

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

For the second 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 1,685 files subject to Perkins Loans 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 1,154 files subject to Perkins Loans recordkeeping and record retention requirements, LSU did not maintain required documentation for eight (13%) files in accordance with federal regulations.

LSU did not design and implement adequate controls to ensure that Federal Perkins Loans active and inactive records are properly being maintained in accordance with 34 CFR 674.19(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).

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## Financial Statements – Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2022, 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, 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 Federal Nonoperating Revenues

**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, as adjusted, are materially correct.

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## Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2022, 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 programs, as follows:

- Research and Development Cluster
- Education Stabilization Fund – Higher Education Emergency Relief Fund (AL 84.425)

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 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 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 a finding related to Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retention Requirements. This finding will also be included in the Single Audit for the year ended June 30, 2022. 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, as adjusted, is materially correct.

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

RAY:JPT:BH:EFS:ch

LSUANDRELATED2022

## **APPENDIX A: MANAGEMENT'S RESPONSE**

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## Finance & Administration

January 12, 2023

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 FY2022, 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:

- As a corrective action to the audit last year, we ensured that all active Perkins loans files had a copy of a repayment schedule in the fireproof safe. However, in some instances, it was an unsigned copy. All active files are being reviewed to ensure that any signed copy received is included with the promissory note in the fireproof cabinets. This effort will be completed by March 31, 2023.
- Seven of the eight inactive student file findings were as a result of shutting down the mainframe system once the processing was transitioned to ECSI. In the mainframe legacy system, paid in full letters were generated 90 days after the last payment. Since the system was turned off, these letters were not generated. Additionally, since the loans went over to ECSI as paid in full, no letter was generated in their system either. This finding has already been corrected and letters were generated from the legacy system and mailed to all affected borrowers. However, these loans were reported correctly as paid in full to the National Student Loan Data System and the credit bureaus.
- Since transitioning to ECSI for loan processing, ECSI maintains all loan documents electronically in their system. We have established a quarterly self-audit process and pull random samples of active and inactive files to ensure that the required documentation is being accurately maintained. We also run a monthly report from ECSI with status changes and review a random sample to ensure that documentation is included in the ECSI system.

**FY2022 Perkins Loan Audit Response**

**January 12, 2023**

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**Persons Responsible:**

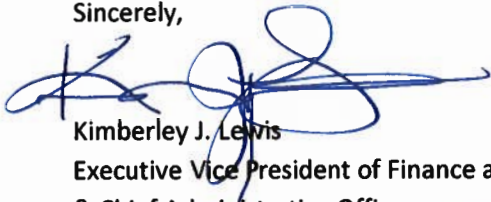
**Melanie Powell, Director Bursar Operations**

**Rosalyn Lacey, Associate Director Bursar Operations**

**Kattie Gregoire, Manager Bursar Operations**

**Tamela Dickerson, Coordinator**

**Sincerely,**



**Kimberley J. Lewis**

**Executive Vice President of Finance and Administration  
& Chief Administrative Office**

## APPENDIX B: SCOPE AND METHODOLOGY

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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, 2021, through June 30, 2022, 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, 2022.

- 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 and Education Stabilization Fund – Higher Education Emergency Relief Fund (AL 84.425) for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We performed 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, 2022, as a part of the 2022 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.