

LOUISIANA BOARD OF REGENTS

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES

MANAGEMENT LETTER

ISSUED APRIL 29, 2020

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

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana Board of Regents



April 2020

Audit Control # 80190117

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at the Louisiana Board of Regents (BOR) to evaluate the effectiveness of BOR's internal controls over financial reporting and compliance and determine whether BOR 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

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the BOR management letter dated March 20, 2019, and in the Louisiana Universities Marine Consortium for Research and Education (LUMCON), a program of the BOR, procedural report dated June 22, 2016. We determined that management has resolved the prior-year findings related to Inadequate Controls over Schedule of Expenditures of Federal Awards, Weakness in Controls over Federal Cash Management Requirements, Weakness in Controls over Federal Reporting Requirements, Inaccurate Preparation of the Annual Fiscal Report, and Inadequate Controls over Accounts Receivable Collection and Reporting.

Current-year Findings

Weakness in Controls Over Payroll

The Louisiana Office of Student Financial Assistance (LOSFA), a program of the BOR, did not adequately implement controls to ensure employees' time sheets were approved in a timely manner. The failure to approve time statements prior to the posting date can result in the issuance of inaccurate payroll checks, an increased risk of errors and fraud, and noncompliance with BOR payroll policies.

Payroll documentation for six pay periods during fiscal year 2019 was reviewed. We found that 18.5% of time sheets tested were approved late or not approved by supervisors. Of 612 time sheets, 48 were approved within two weeks after the posting date, an additional 26 time sheets

were approved within a year of the posting date, and 39 time sheets were approved more than a year after the posting date or not at all. BOR's policy requires time statements to be approved by the posting date.

Management should implement internal controls to ensure that all employee time sheets are approved by the appropriate supervisor before payroll processing is complete. Additionally, BOR should develop a consistent payroll policy for all programs, including LOSFA and LUMCON. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Weaknesses in Controls over LaCarte Card and CBA Purchases

BOR, including LOSFA and LUMCON, did not adequately monitor controls over LaCarte card and Controlled Billed Account (CBA) purchases, resulting in unauthorized and inadequately supported purchases, an increased risk of errors and/or fraud, and noncompliance with the state of Louisiana's LaCarte purchasing card policy and BOR's LaCarte card policy.

A review of 32 monthly statements with transactions totaling \$144,793 for 27 LaCarte cardholders and five CBA accounts for the period July 1, 2018, through June 30, 2019, disclosed 25 statements that included transactions totaling \$84,606 without the proper approvals in WORKS, the Bank of America online banking system, prior to purchase including travel charges totaling \$39,760 made without approved travel authorizations; 14 statements that included transactions totaling \$33,203 not supported by adequate documentation such as original receipts and signed packing slips in WORKS; two statements that included transactions totaling \$15,993 not reconciled by cardholders and not approved in WORKS by a supervisor in a timely manner; and one statement with a \$353 purchase that was shipped to the cardholder's home rather than a business address. A breakdown of this information by LUMCON, LOSFA, and BOR Administration is as follows:

- Of the 24 monthly statements tested for 23 LaCarte cardholders and one CBA account for LUMCON, 21 (88%) statements included transactions totaling \$40,610 without the proper approvals in WORKS prior to purchase including travel charges totaling \$3,519 made without approved travel authorizations; and 12 (50%) statements included transactions totaling \$13,742 not supported by adequate documentation.
- Of the four monthly statements tested for two LaCarte cardholders and two CBA accounts for LOSFA, three (75%) statements included transactions totaling \$37,371 without the proper approvals in WORKS prior to purchase including travel charges totaling \$36,241 made without approved travel authorizations; two (50%) of those statements included transactions totaling \$19,461 not supported by adequate documentation and purchases totaling \$15,993 that were not reconciled by cardholders and were not approved in WORKS by supervisors in a timely manner. In addition, one statement included a \$353 purchase that was shipped to the cardholder's home rather than a business address.

- Of the four monthly statements tested for two LaCarte cardholders and two CBA accounts for BOR Administration, one (25%) statement included transactions totaling \$6,625 without the proper approvals in WORKS prior to purchase.

As required by the state of Louisiana's LaCarte purchasing card policy, BOR has established policies documenting all internal procedures for cardholders, supervisors, and the program administrator. BOR's policies are written to ensure that the agency complies with the state program guidelines. However, these policies are not being consistently followed and enforced.

BOR management should enforce and monitor established policies and controls to reduce the risk of error and/or fraud in the LaCarte card and CBA programs. Management should continue to utilize WORKS functionality to ensure that all purchases are authorized and reconciled to supporting documentation in a timely manner and in accordance with BOR policies and procedures. Management should consider decreased credit lines and/or card suspension for cardholders and supervisors who fail to follow program policies. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, 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 BOR's major federal programs, as follows:

- Research and Development (R&D) Cluster
- Federal Family Education Loan (FFEL) Program (CFDA 84.032)

Those tests included evaluating the effectiveness of BOR's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether BOR complied with applicable program requirements. In addition, we performed procedures on information submitted by BOR 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), as it relates to the FFEL program, and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

BOR'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.

Other Procedures

In addition to the Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing BOR's internal control and compliance with

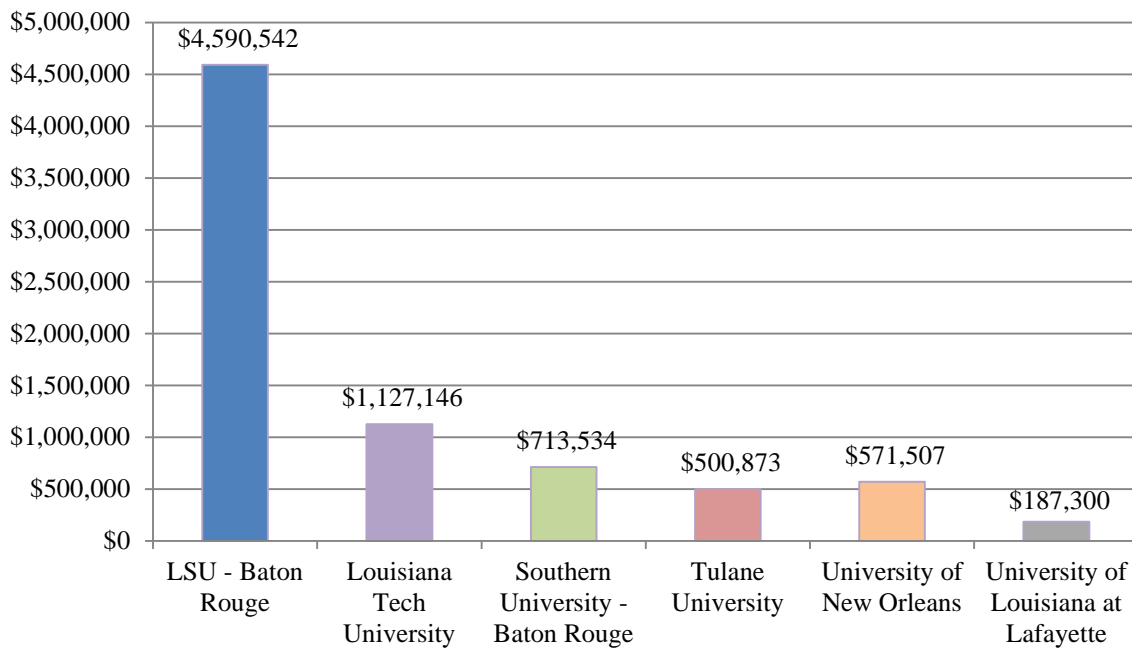
related laws and regulations over payroll; LaCarte card and CBA purchases; and select revenues, expenditures, and accounts receivable for LUMCON.

Based on the results of these procedures performed, we reported two findings related to Weakness in Controls over Payroll and Weaknesses in Controls over LaCarte Card and CBA Purchases, as described previously.

Trend Analysis

We compared the most current and prior-year financial activity using BOR's Annual Fiscal Reports and/or system-generated reports and obtained explanations from BOR's management for any significant variances. We also prepared a summary of BOR's R&D Cluster subrecipients who received more than \$100,000 from BOR during fiscal year 2019. As shown below, the majority of BOR's R&D Cluster subrecipient payments are made to the state's public higher education institutions.

Exhibit 1
BOR R&D Cluster Subrecipients – Payments > \$100k during FY19



Source: BOR Grants Database

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of BOR. The nature of the recommendations, their implementation costs, and their potential impact on the operations of BOR should be considered in reaching decisions on courses of action. The finding related to BOR'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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive, flowing style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ARC:CRV:BQD:EFS:aa

BOR 2019

APPENDIX A: MANAGEMENT'S RESPONSES

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Chair

Collis B. Temple III
Vice Chair

Blake R. David
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Commissioner of
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Felix R. Weill
William S. Jewell, Student

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March 16, 2020

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Weakness in Internal Controls Over Payroll – FY 2019

Dear Mr. Purpera,

The Louisiana Office of Student Financial Assistance (LOSFA), a Program of the Board of Regents (BOR), concurs with the finding of “Weakness in Internal Controls Over Payroll” and the recommendation for a consistent payroll policy for BOR programs.

Effective July 1, 2019, all BOR programs were required to follow BOR Personnel Policy Number 103: *Time Entry and Electronic Certification of Employee Time Statements*. This policy was implemented in conjunction with the implementation of the Cross-Application Timesheet System (CATS) in Fiscal Year 2020. All employees are required to comply with time and attendance certification requirements. Further measures to ensure compliance include:

- Development of a Time Administrator Manual to ensure consistent procedures will be followed to comply with BOR Policy 103. The expected completion date for the Time Administrator Manual is May 1, 2020.
- Modification of internal procedures to ensure compliance with BOR Policy 103. This in progress.
- The onboarding of an Administrative Assistant whose primary job function is time keeping (reports, auditing entries, and sending emails to all employees and supervisors reminding them of the certification deadline). This employee was hired on December 30, 2019.

As a result of these measures, we have seen immediate improvement. The staff responsible for implementing the corrective action is Cory Wicker, LOSFA’s Director of Human Resources. We appreciate the cooperation and diligence of your staff during this audit.

Sincerely,
A handwritten signature in blue ink that reads "Cory Wicker". The signature is written in a cursive style and is positioned to the right of the word "Sincerely,".

Cory Wicker, MBA, PHR, SHRM-CP
Director of Human Resources

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April 13, 2020

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Inadequate Controls Over LaCarte and CBA Purchases – FY 2019

Dear Mr. Purpera,

The Board of Regents (BOR) concurs with the finding “Inadequate Controls Over LaCarte and CBA Purchases.” Each BOR program has one employee serving as the LaCarte Program Administrator, who is responsible for administering and managing the LaCarte Program. The Office of State Procurement (OSP) revised the state’s LaCarte procedures effective July 1, 2018. Shortly after the OSP’s revision, an internal audit was conducted in which all BOR programs were reviewed for LaCarte program compliance and recommendations were made to assist the BOR with compliance with OSP’s new regulations. To ensure compliance with all OSP and agency LaCarte policies, BOR will ensure the implementation of the following:

- BOR Program will require single-sided documents to reduce scanning inaccuracy that will ensure preapprovals are uploaded into the WORKS system. Rhonda Webber, Assistant Commissioner for Fiscal Affairs, is responsible for corrective action which will be implemented by March 31, 2020.
- After the internal audit was performed, Louisiana Universities Marine Consortium (LUMCON) Program modified procedures based on the recommendations to upload all supporting documentation into the WORKS system as required by state policy, but these recommendations were not implemented until later in FY 2019. Additionally, a purchase requisition form was updated to include a location for an approver’s signature in order to document preapprovals for all purchases after the LaCarte internal audit. Melissa Trosclair, Program Administrator for LUMCON, was responsible for corrective action which was implemented in October 2018.
- Louisiana Office of Student Financial Assistance (LOSFA) Program will ensure all supporting documentation including travel authorizations and preapprovals are being uploaded into WORKS in compliance with state and agency policies. Additionally, LOSFA will no longer allow deliveries to be made to an employee’s home. Brett Hunt, Director of Fiscal and Administrative Services, is responsible for corrective action which will be implemented by March 31, 2020.

We appreciate the professionalism and diligence of your staff during this audit.

Sincerely,

Matthew LaBruyere
Associate Commissioner for Finance and Administration

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Board of Regents (BOR) for the period from July 1, 2018, through June 30, 2019, 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 Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated BOR'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 BOR.
- We performed procedures on the following federal programs for the year ended June 30, 2019, as a part of the 2019 Single Audit:
 - Research and Development Cluster
 - Federal Family Education Loan (FFEL) Program (CFDA 84.032)
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards as it relates to the FFEL program 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, 2019, as part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using BOR's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from BOR's management for significant variances.

In addition, we performed procedures that included obtaining, documenting, and reviewing BOR's internal control and compliance with related laws and regulations over payroll; LaCarte card and CBA purchases; and select revenues, expenditures, and accounts receivable for LUMCON. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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