

LOUISIANA STATE UNIVERSITY
AND RELATED CAMPUSES
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED FEBRUARY 28, 2018

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



LSU and Related Campuses

February 2018

Audit Control # 80170105

Introduction

As a part of our audit of the Louisiana State University System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2017, we performed procedures at Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Louisiana State University at Alexandria, and Louisiana State University at Eunice, 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.

LSU and Related Campuses are a part of the System and reported an enrollment of more than 38,000 students for the Fall 2016 semester. The System's mission is to foster first-class learning, discovery of innovations, and the development of Louisiana's human capital by applying research and scholarship in advancing intellectual, personal, and professional growth.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the management letter dated December 28, 2016. We determined that management has resolved the prior-year finding related to Misappropriation of Assets at the LSU Agricultural Center. The prior-year findings related to Noncompliance with Federal Equipment Management Regulations at the LSU Agricultural Center, Weakness in Controls over Federal Research and Development Cluster Expenses, Weakness in Controls over Federal Reporting Requirements, and Noncompliance with Federal Equipment Management Regulations at the LSU and A&M College have not been resolved and are addressed again in this letter.

Current-year Findings

Weaknesses in Controls over Federal Research and Development Expenses

For the second consecutive year, the LSU Agricultural Center (AgCenter) did not have controls in place to adequately monitor expenses charged to Federal appropriations to ensure they were in compliance with Federal Allowable Costs/Cost Principle requirements prior to requesting reimbursement from the Federal agency. In addition, Louisiana State University and A&M College (LSU A&M), the AgCenter (for non-appropriations), and Pennington Biomedical Research Center (PBRC) did not have controls in place to ensure compliance with Federal Allowable Costs/Cost Principles requirements. LSU A&M and the AgCenter also did not have controls in place to ensure compliance with Federal Period of Performance requirements. Specifically, the following was noted during our testwork:

- LSU A&M, the AgCenter, and PBRC were not able to provide an established written policy for compensation for personal services as required by 2 CFR 200.430 (a). Therefore, we tested payroll transactions charged to Federal awards according to OMB Circular A-21, *Cost Principles for Educational Institutions*, Appendix A, Paragraph J.10, and the following exceptions to these requirements were noted at each campus:
 - Wage employees at LSU A&M, the AgCenter and PBRC were not required to certify their salaries charged to Federal awards for the time period covering July 1, 2016, through March 31, 2017, until April 2017.
 - In a sample of 22 LSU A&M Federal Research and Development (R&D) payroll sample items tested, for six (27.3%) of the payroll items the employee had not certified their salary charged to the Federal award within six months.
 - In a sample of 16 AgCenter non-appropriation type R&D payroll sample items tested, for two (12.5%) of the payroll items the employee had not certified their salary charged to the Federal award within six months.
 - In a sample of 16 PBRC R&D payroll sample items tested, for two (12.5%) of the payroll items the employee had not certified their salary charged to the Federal award within six months.
- LSU A&M and the AgCenter did not have controls in place to adequately monitor all expenses charged to Federal awards in order to ensure they were in compliance with Federal Allowable Costs/Cost Principle or Period of Performance requirements.

Failure to set and follow prescribed controls over the monitoring of all expenses charged to Federal awards increases the risk that unallowable costs could be reimbursed by the Federal agency.

LSU A&M, the AgCenter, and PBRC should design and implement controls over expenses charged to Federal awards to ensure they are in compliance with Federal requirements. Management concurred with the finding and described corrective action that has been taken (see Appendix A, pages 1-2).

Inadequate Controls over Federal Special Tests and Provisions Requirements

The AgCenter did not ensure compliance with Special Tests and Provisions requirements. In a test of 25 AgCenter Federal R&D Cluster awards subject to Special Tests and Provisions, AgCenter records for three (12%) of the awards did not contain evidence to support that selected Principal Investigators (PI) worked on these three awards or that the AgCenter requested approval for changes in key personnel from the Federal awarding agency. In addition, LSU A&M did not have controls in place to ensure these Special Tests and Provisions requirements were met.

The AgCenter and LSU A&M did not have controls in place to ensure that the PI met the key personnel requirements or that key personnel changes requiring approval were submitted to the Federal awarding agency when there was a disengagement from the project by the PI for more than three months, or a 25% reduction in time devoted to the project by the PI. Failure to set prescribed controls over key personnel requirements could result in noncompliance with Special Tests and Provisions requirements.

The AgCenter and LSU A&M should design and implement controls to ensure key personnel requirements are met or that changes in key personnel requiring approval from the Federal agency are submitted timely to the Federal agency. Management concurred and provided a plan of corrective action (see Appendix A, pages 3-4).

Noncompliance with Federal Equipment Management Regulations at LSU A&M and the LSU Agricultural Center

For the second and third consecutive years, respectively, LSU A&M and AgCenter did not comply with Federal equipment management regulations. In a sample of 41 LSU A&M items and 45 AgCenter items provided by management as being purchased with Federal R&D funds, four (4.7%) items (three items for LSU A&M and one item for the AgCenter) selected could either not be located during testing or could not be properly identified due to lack of an identification number. In addition, the accounting records maintained for each equipment item did not accurately indicate the source of the equipment or associated award number.

At the time of our procedures, the employee responsible for one of the items at LSU A&M could not locate the equipment item or provide any supporting documentation on where the asset may be located. The other three items had no identification number located on the equipment items and, therefore, could not be confirmed as the equipment item being tested. All four of the items were noted as “active” within the university’s property management system.

Federal regulations require that equipment records include the identification number, location, condition, source, and award number for each equipment item. LSU A&M and the AgCenter did

not have adequate controls in place to ensure that accurate information was maintained in the university's property management system, equipment was properly safeguarded against loss, and assets were tagged with their identification number. Therefore, LSU A&M and the AgCenter were not in compliance with Federal equipment management regulations. Failure to comply with Federal management regulations increases the risk that assets may be misrepresented, lost, or stolen.

Management should implement internal controls to ensure that accurate information is maintained in the university's property management system, equipment is properly safeguarded, and equipment is properly tagged with its identification number. Management concurred with the finding and indicated that the corrective action plan submitted in response to the prior-year finding remains valid (see Appendix A, pages 5-6).

Noncompliance with Federal Equipment Management Regulations at the Pennington Biomedical Research Center

PBRC did not comply with Federal equipment management regulations. In a sample of 21 items provided by management as being purchased with Federal R&D funds for PBRC, two (9.5%) items selected could not be properly identified due to lack of an identification number.

At the time of our procedures, neither of the items presented by PBRC had an identification number fixed to the equipment items nor were the identification numbers included in the equipment records. Therefore, the equipment items presented could not be confirmed as the equipment items being tested.

Federal regulations require that equipment records include the identification number, location, condition, source, and award number for each equipment item. PBRC did not have adequate controls in place to ensure that accurate information was maintained in the university's property management system, that equipment was properly safeguarded against loss, and that assets were tagged with their identification number. Therefore, PBRC was not in compliance with Federal equipment management regulations. Failure to comply with Federal management regulations increases the risk that assets may be misrepresented, lost, or stolen.

Management should implement internal controls to ensure that accurate information is maintained in the university's property management system, that equipment is properly safeguarded, and that equipment is properly tagged with its identification number. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 7).

Inadequate Controls and Noncompliance over Return of Title IV Funds Requirements

LSU A&M did not have controls in place to ensure that return of Title IV funds were calculated and returned for the proper amount and payment period as required per Federal regulations. In a test of 60 students who either officially or unofficially withdrew from the institution, four (6.67%) students either had errors in amounts applied to their return calculations or the incorrect payment period credited for their return.

For three of the exceptions, the students' return of Title IV funds calculations included reductions for non-institutional support fees that totaled \$410, which we consider questioned costs. These students were determined to be non-attends; therefore, according to Federal regulations, the return amount should not be reduced by non-institutional support but returned in full. For the fourth exception, the return was applied to the wrong payment period when entered into the system and returned to the Federal program.

LSU A&M had policies and procedures in place that stated non-institutional support should reduce the amount of the return for non-attends. These incorrect policies and procedures were developed due to an error in the interpretation of the Federal regulation. Failure to comply with Federal return of Title IV fund regulations led to improper amounts being returned to the Federal Direct Loan programs and in the incorrect period.

LSU A&M should design and implement controls to ensure that the return of Title IV funds are calculated and returned for the proper amount and payment period as required per Federal regulations. LSU A&M should also update its policies and procedures to reflect the accurate Federal regulations over non-attend returns on Title IV calculations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 8).

Weaknesses in Controls over Federal Reporting Requirements at the LSU Agricultural Center and the Pennington Biomedical Research Center

For the second consecutive fiscal year, the AgCenter did not have controls in place to ensure that financial reports are accurate prior to being submitted to the Federal agency for its Federal appropriations awards. In addition, PBRC did not have controls in place to ensure that all of its financial reports are accurate prior to being submitted to the Federal agency.

The AgCenter did not implement its corrective action plan for the prior-year finding during fiscal year 2017; therefore, controls were not in place over Federal reporting requirements to ensure accuracy of its Federal appropriation financial reports. For two (12%) reports in a test of 17 PBRC Federal R&D Cluster reports, PBRC did not have a control in place to ensure the accuracy of the information being submitted to the Federal agency. Both financial reports were completed on Federal Standard Form 425 (SF425).

Federal regulations require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Failure to set prescribed controls over financial reporting could result in the financial information being reported inaccurately and place the AgCenter and PBRC in noncompliance with Federal regulations.

The AgCenter and PBRC should design and implement controls, such as a review of the report by someone other than the compiler of the report, to ensure all information contained in the financial reports submitted to Federal agencies is accurate. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 9-10).

Weaknesses in Controls over Borrower Data Reconciliation Requirements

LSU A&M did not have controls in place to ensure that the School Account Statement (SAS) data file was reconciled accurately to the institution's financial records. Each month, the U.S. Department of Education's Common Origination and Disbursement (COD) provides the institution the SAS data file, which should reconcile back to the Daily G5 Draw Down reports and the institution's financial records to ensure the institution has transmitted accurate and complete student data to COD for all Federal Direct Student Loan borrowers in accordance with Federal requirements.

LSU A&M did not have adequate procedures in place to review the accuracy of the SAS data file monthly reconciliation to the institution's financial records. Failure to set prescribed controls over the SAS data file monthly reconciliation could result in LSU A&M reporting inaccurate information to COD and place LSU A&M in noncompliance with borrower data transmission Federal regulations.

Management should design and implement controls, such as a review of the SAS data file monthly reconciliation by someone other than the performer of the reconciliation, to ensure the reconciliation accurately ties to the institution's financial records. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 11).

Financial Statements – Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2017, 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, Other Postemployment Benefits Payable, 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, Federal Grants and Contracts, State and Local Grants and Contracts, Auxiliary Enterprise Revenue, and State Appropriations

Expenses – Educational and General, and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations. 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, 2017, 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' Federal programs, as follows:

- Research and Development cluster
- Student Financial Assistance 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 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 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 Single Audit procedures, we reported findings related to Weaknesses in Controls over Federal Research and Development Expenses, Inadequate Controls over Federal Special Tests and Provisions Requirements, Noncompliance with Federal Equipment Management Regulations at LSU A&M and the LSU Agricultural Center, Noncompliance with Federal Equipment Management Regulations at the Pennington Biomedical Research Center, Inadequate Controls and Noncompliance over Return of Title IV Funds Requirements, Weaknesses in Controls over Federal Reporting Requirements at the LSU Agricultural Center and the Pennington Biomedical Research Center, and Weaknesses in Controls over Borrower Data Reconciliation Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2017. In addition, information submitted for the preparation of the State's SEFA and the State's Summary Schedule of Prior Audit Findings, as adjusted, are materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing LSU and Related Campuses' internal control and compliance with related laws and regulations over the LaCarte procurement card program and travel expenses.

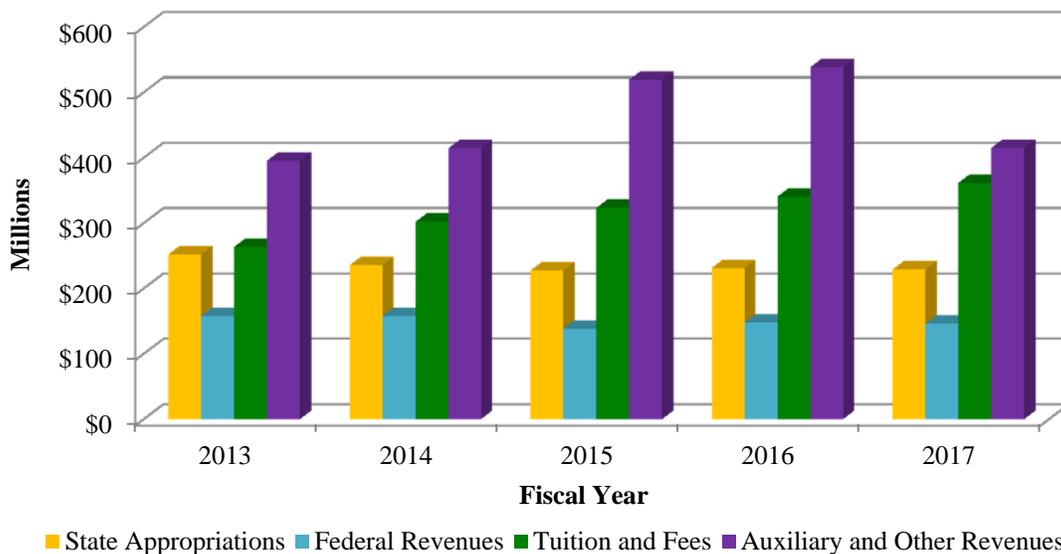
Based on the results of these procedures performed, we found no issues or weaknesses that were required to be reported.

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. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

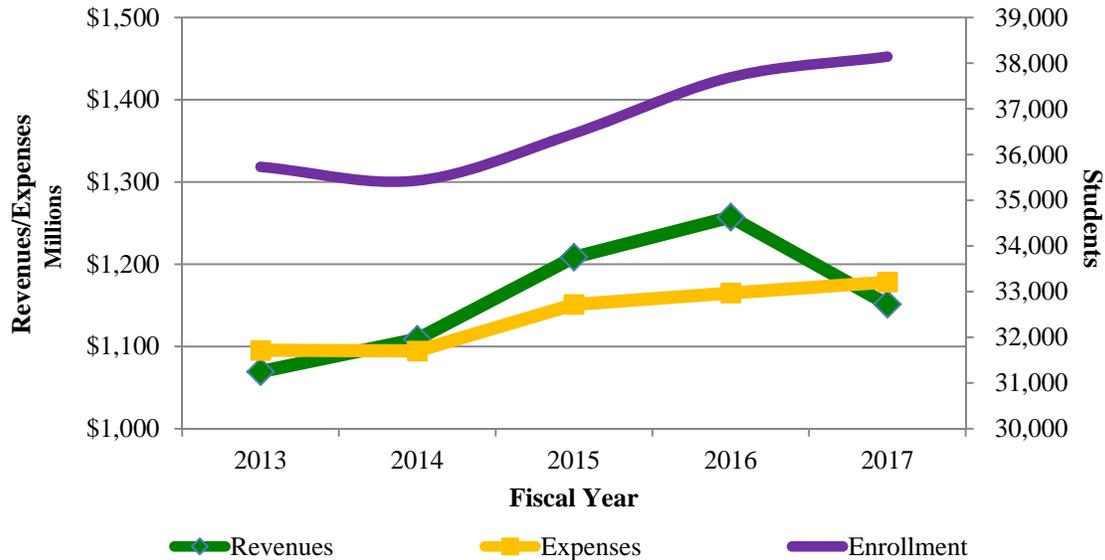
In analyzing financial trends of LSU over the past five years, expenses have increased by 8% since 2013, while State appropriations have decreased 9%. As State appropriations continue to become a smaller portion of total revenues, the university’s operations are becoming more dependent on tuition and fees, auxiliary and other revenues collected by LSU and Related Campuses, which are directly related to enrollment. Over that same period, tuition and fees have increased by 37%, mainly because of the increases in tuition permitted by the GRAD Act (Act 741 of the 2010 Regular Session of the Louisiana Legislature). Total enrollment for LSU and Related Campuses has increased by 7% since 2013.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Year 2013-2016 LSU System Audit Reports;
Fiscal Year 2017 LSU and Related Campuses Annual Fiscal Reports

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Year 2013-2016 LSU System Audit Reports;
Fiscal Year 2017 LSU and Related Campuses Annual Fiscal Reports

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,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

REW:JPT:BH:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSES



Finance & Administration

February 4, 2018

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, Sponsored Program Accounting (SPA) wishes to respond to the audit finding concerning weakness in controls over federal R&D expenses. We concur with the finding addressed in the letter dated January 26, 2018. As requested in the letter, the following are issued for the finding:

Finding:

“Weaknesses in Controls over Federal Research and Development Expense”

LSU recognizes the importance of the OMB Circular A-21 and 2 CFR 200.430 and strives to follow all of the policies and procedures designed to ensure compliance. LSU implemented Workday on July 1, 2016. The grants conversion was a two-step process which resulted in considerable delays such as:

- creating functional reports,
- working through implementation obstacles,
- a change in legacy processes to new Workday processes
- a manual conversion process for additional data that could not be imported from Legacy to Workday, and
- employee turnover

Due to the many delays outlined above, a written effort policy was not established upon conversion, but rather developed after conversion issues were resolved. A formalized Effort Reporting (FASOP-AS-30) operating procedures was developed and implemented during FY 2017.

In drawing federal funds, LSU ensured grant expenses were audited for allowability on all final drawdowns. A conservative approach was employed for non-final LOC drawdowns. The amounts drawn were less than actual expenditures.

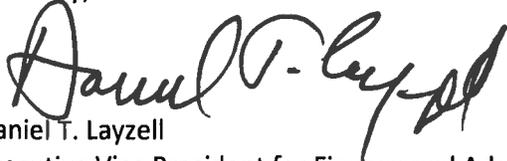
In FY 2018, the audit for allowable expenses will be conducted within the same period of drawing down federal funds.

Persons Responsible:

Jaime Estave, Director of Sponsor Program Accounting
Jan Bernath, Director of Accounting Services, LSU Ag Center
Monica Mougeot, Director of Fiscal Operations, Pennington

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Layzell". The signature is fluid and cursive, with the first name "Daniel" being the most prominent.

Daniel T. Layzell
Executive Vice President for Finance and Administration/CFO



Finance & Administration

February 4, 2018

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, Sponsored Program Accounting (SPA) wishes to respond to the audit finding concerning noncompliance of Office of Management and Budget (OMB) 2 CFR Part 200 Compliance Supplement, Part 5, key personnel requirements are identified as a special term and condition applicable to the R&D Cluster. We concur with the finding addressed in the letter dated January 26, 2018. As requested in the letter, the following are issued for the finding:

Finding:

“Inadequate Controls over Federal Special Tests and Provisions Requirements”

Response to Finding:

In regards to those grants selected in the test sample, LSU was delayed in documenting the PI’s effort timely due to the implementation of Workday on July 1, 2016. The grants conversion was a two-step process which resulted in considerable delays in budgeting and billing. The complexity of grants also resulted in additional conversion delays such as:

- creating functional reports,
- working through implementation obstacles,
- a change in legacy processes to new Workday processes
- a manual conversion process for additional data that could not be imported from Legacy to Workday, and
- employee turnover

LSU recognizes the importance of the OMB 2 CFR and strives to follow all of the policies and procedures designed to ensure accountability. As a corrective action plan, LSU hired additional staff, trained new and existing staff members, and developed reports to increase the efficiency of the budgeting and billing processes. This plan is ongoing with an expectation that the appropriate control will be in place by June 30, 2018.

Persons Responsible:

Jaime Estave, Director of Sponsor Program Accounting
Jan Bernath, Director of Accounting Services, LSU Ag Center

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Layzell". The signature is fluid and cursive, with a large initial "D" and "L".

Daniel T. Layzell

Executive Vice President for Finance and Administration/CFO



Finance & Administration

January 25, 2018

Mr. Daryl G. Purpera, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, we wish to respond to the audit finding concerning noncompliance with federal equipment regulations for LSU. We concur with the finding addressed in the letter dated January 4, 2018. As requested in the letter, the following responses are issued for the finding:

Finding:

Noncompliance with Federal Equipment Management Regulations at LSU A&M and the LSU Agricultural Center

Response to Finding:

In regards to the specific assets in question, AST-0018373 (LSU# 556000) was subsequently identified and located during the inventory cycle. This asset was part of a decades old research project by Dr. Hamilton (retired), and is installed inside another tagged asset (LSU# 496477). These assets have been retagged and clearly marked. The other three assets, AST-0037849 (LSU# 652791), AST-0054611 (LSU# 676630) and AST-0053054 (LSU# 674763) have also been retagged and serial numbers added to the inventory record.

LSU recognizes the concerns that arise from the same finding in consecutive years. In this particular case the underlying issues remain the same and in fact were, and are, still being appropriately remediated by last year's action plan. The centerpiece of the established strategy is the development and implementation of the new inventory application, which was completed on schedule for the 2017 inventory cycle. It is worth noting that this year's audit testing occurred before a full inventory cycle had been completed in the new system. Due to LSU's nearly yearlong inventory cycle, improvement that will be more visible during audit testing will continue to materialize and be more visible with each inventory cycle.

However, confirmation that the new app and process is delivering the expected results is already being demonstrated. For example, this year's cycle (concluded in December) generated over 1,200 serial number update requests, more than 10,000 location updates, and 4,500 replacement tag requests. This is significant because the new technology has facilitated much better information gathering and



Finance & Administration

communication, which was one of the two primary categories of improvement outlined in last year's action plan.

The other major area of improvement anticipated is effectiveness in locating assets. Continuing improvement of location accuracy is expected with future cycles, but we are encouraged by the results seen in the first year. There were 190 assets (over \$950,000 cost) located and reactivated this year that were reported unlocated in the last three inventory cycles.

With the implementation and first inventory cycle now complete, Property Management is working on second phase projects that are necessary in order to fully realize the benefits of the new inventory process. The first cycle taught valuable lessons about the ways in which campus users are providing updated information in the app, and plans for more efficient consumption of this information are being created. LSU still has over 8,000 active older assets with non-barcode inventory tags, and an effort is ongoing to upgrade these during the 2018 annual inventory cycle. The upgrading of tags to barcode standard is a necessary step toward efficiency for users, as well as for high quality targeted reviews by management to ensure process integrity.

Accordingly, the action plan submitted last year is also applicable to this repeat finding, and our results in future testing will reflect continual improvement in established controls and processes.

Persons Responsible:

Toliver Bozeman, Director of Property Management, LSU A&M

Sally McKechnie, Assistant Vice President, Procurement & Property Management, LSU A&M

Jan Bernath, Director of Accounting Services, LSU Ag Center

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Layzell". The signature is fluid and cursive, with a large initial "D" and "L".

Daniel T. Layzell

Executive Vice President for Finance and Administration/CFO



February 2, 2018

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

Re: Noncompliance with Federal Equipment Management Regulations and the Pennington Biomedical Research Center

Dear Mr. Purpera:

Pennington concurs with the individual finding that neither of the two items presented had an identification number fixed to the equipment items.

As a corrective action for future purchases that involve multiple components that get purchased as one item in the procurement process, we will make every effort to require vendors to itemize invoices by each item when there are multiple, taggable items making up one system. This responsibility will be the primary duty of the Director of Fiscal Operations, and will ensure that proper cost itemization is obtained from vendors to ensure that all taggable equipment can be identified with a specific price in such purchases. We no longer tag only one component of a multi-part equipment purchase. For existing equipment found to be tagged as an entire unit, we will ensure that all components belonging to a single tag number are properly identifiable as part of the unit; this will be the responsibility of Facilities Management, by the Inventory Coordinator and the Receiving Coordinator.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Kirwan".

John Kirwan, PhD
Executive Director



Finance & Administration

January 25, 2018

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

This is a written response to the following finding:

“Inadequate Controls and Noncompliance over Return of Title IV Funds Requirements”

The Financial Aid & Scholarships Office concurs that this area can be strengthened with additional controls. At the time of this finding, one employee performed all Return of Title IV funds calculations. The Financial Aid & Scholarships Office agrees that adding an additional level of review would strengthen our controls. Beginning with the spring 2017 Return of Title IV calculations, new policies and procedures were implemented to have better controls in place. This new procedure includes an additional calculation by a separate employee to confirm the calculation was processed correctly. This corrective action plan is currently in place. In addition, our policies and procedures have been updated to reflect the accurate interpretation of the federal regulations over non-attend returns on Title IV calculations.

The responsible parties for the corrective action plan are Rachel Stansbury, Assistant Director of Operations, Jessica Ott, Associate Director of Financial Aid, and Amy Marix, Director of Financial Aid & Scholarships.

Thank you for your time helping to ensure we remain in compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Layzell", is written over a white background.

Daniel T. Layzell
Executive Vice President for Finance and Administration/CFO



Finance & Administration

January 25, 2018

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Re: Weaknesses in Controls over Federal Reporting Requirements at the LSU Agricultural Center and Pennington Biomedical Research Center

LSU Agricultural Center Response

The AgCenter concurs with this finding and has made changes to correct this weakness. In addition to the person who prepares the report and the person who signs the report, a separate Budget Officer will review and approve the report. The procedure was put in place in December of 2016 immediately after the issue was raised by the auditors. This approval is now formalized in written format.

Persons Responsible:

Marcy Fisher, Business, Fiscal and Foundation Officer, LSU Agricultural Center
Danielle de Tarnowsky, Business and Fiscal Officer, LSU Agricultural Center
Lori Parker, Business and Fiscal Officer, LSU Agricultural Center

Pennington Biomedical Research Center (PBRC) Response

Pennington concurs with the finding regarding the weaknesses in controls to ensure the accuracy of the financial information being submitted to the federal agency.

Once this deficiency was brought to the attention of management in September 2017, the Director of Fiscal Operations implemented a Standard Operating Procedure to standardize the process of how the financial report information is to be submitted to Post-Award Accounting with required financial records to validate the numbers presented for financial reporting. Prior to submitting the financial report, the Post-Award Accounting Office is to perform a review of all documentation and approve or ask for corrections as necessary.

Persons Responsible:

Director of Fiscal Operations, Pennington Biomedical Research Center
Associate Director of Fiscal Operations, Pennington Biomedical Research Center

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Layzell". The signature is fluid and cursive, with a large initial "D" and a stylized "L".

Daniel T. Layzell

Executive Vice President for Finance and Administration/CFO



Finance & Administration

January 25, 2018

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

This is a written response to the following finding:

“Weaknesses in Controls over Borrower Data Reconciliation Requirements”

The Financial Aid & Scholarships Office concurs that this area can be strengthened with additional controls. At the time of this finding, one employee performed monthly reconciliation and an additional employee confirmed the reconciliation was complete and ensured a zero balance was noted. The additional employee was not re-computing the monthly reconciliation for accuracy. The Financial Aid & Scholarships Office agrees that adding an additional level of review would strengthen our controls. Beginning with the July 2017 reconciliation, new policies and procedures were implemented to have better controls in place. This new procedure includes a monthly reconciliation that is re-calculated by an additional employee, which is then confirmed by a third employee. This corrective action plan has been in place for the past six months.

The responsible parties for the corrective action plan are Bradley Meyers, Assistant Director of Counseling, Jessica Ott, Associate Director of Financial Aid, and Amy Marix, Director of Financial Aid & Scholarships.

Thank you for your time helping to ensure we remain in compliance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Daniel T. Layzell', is written over the word 'Sincerely,'.

Daniel T. Layzell
Executive Vice President for Finance and Administration/CFO

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Louisiana State University at Alexandria, and Louisiana State University at Eunice, collectively referred to as LSU and Related Campuses, for the period from July 1, 2016, through June 30, 2017, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2017.

- 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 of Federal programs and the Student Financial Assistance cluster of Federal programs.
- We performed procedures on information 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 for the year ended June 30, 2017, as a part of the 2017 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.

In addition, we performed procedures on the LaCarte procurement card program and travel expenses. 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 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 Reports, and accordingly, we do not express an opinion on those reports. LSU and Related Campuses' accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.