

LOUISIANA BOARD OF REGENTS  
FOR HIGHER EDUCATION

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED JULY 19, 2017

**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



## Louisiana Board of Regents for Higher Education

July 2017

Audit Control # 80160196

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### Introduction

As a part of our Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2016, we performed procedures at the Louisiana Board of Regents for Higher Education (BOR) to evaluate the effectiveness of BOR's internal controls over the Research and Development (R&D) Cluster of federal programs and to determine whether BOR complied with applicable requirements as specified in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In addition, we performed procedures for the period July 1, 2015, through June 30, 2017 to evaluate certain internal controls BOR uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

BOR was created to act as an oversight body for higher education in the State of Louisiana and plan, coordinate, and have budgetary responsibility for all public post-secondary education. Through statewide academic planning and review, budgeting and performance funding, research, and accountability, BOR coordinates the efforts of the state's 33 degree-granting public institutions in addition to the Louisiana State University & Southern University Agricultural Centers and the Pennington Biomedical Research Center. BOR also serves as the state liaison to Louisiana's accredited, independent institutions of higher learning. While not involved in overseeing the day-to-day operations of college campuses, BOR is responsible for setting important statewide standards, including minimum admissions requirements. BOR represents the public higher education community before all branches of government and the public.

Pursuant to Act 314 of the 2016 Legislative Session, the Louisiana Office of Student Financial Assistance (LOSFA) and the Louisiana Universities Marine Consortium (LUMCON) are now consolidated as programs into BOR.

### Results of Our Procedures

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#### Findings

##### Noncompliance with Subrecipient Monitoring Requirements

BOR did not adequately monitor subrecipients of federal R&D Cluster programs. Failure to properly monitor subrecipients results in noncompliance with federal regulations and increases the likelihood of disallowed costs that may have to be returned to the federal grantor.

Our procedures identified the following:

- BOR did not have controls in place to ensure that required audits were completed within nine months of the end of the subrecipient's audit period; a management decision on audit findings was issued within six months after receipt of the subrecipient's audit report; the subrecipient took timely and appropriate corrective action on all audit findings; or a certification from the subrecipient was obtained indicating that an audit was not required.

BOR policy was to obtain subrecipient audits for only those subrecipients expending more than \$500,000 in federal funds received only through BOR, which is not in accordance with federal regulations. Those regulations state that pass-through entities are required to ensure that subrecipients expending \$750,000 or more in all federal awards during the subrecipient's fiscal year meet the audit requirements.

- BOR did not ensure that subawards included all required information per federal regulations at the time of the subaward. None of the 20 subrecipient awards tested contained all required information per federal regulations (2 CFR Part 200). Federal regulations state that all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward by providing the information described in 2 CFR 200.331(a)(1) such as the CFDA number, identification as R&D, and the subrecipient's unique entity identifier.
- BOR did not adequately evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

Federal regulations state that the pass-through entities must evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate monitoring of the subrecipient. We discussed this requirement with BOR, and management indicated that the evaluation was not performed for any subrecipient.

BOR management should implement internal controls to ensure that subrecipients meet audit requirements; review of subrecipient audit reports are performed timely; management decision letters are issued on applicable audit findings; and management is evaluating subrecipient risk of noncompliance to determine the appropriate monitoring. BOR management should also implement internal controls to ensure that subawards include all required information per 2 CFR Part 200.331(a) at the time of the subaward. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

### **Weaknesses in Controls over Cash Management Requirements**

The Office of Finance and Support Services (OFSS) personnel did not follow prescribed controls over compliance with the cash management requirements of R&D Cluster programs for BOR awards. For six (15%) of 40 R&D Cluster expense transactions tested for cash management, the

related drawdown request for reimbursement did not contain a reconciliation performed by OFSS to ensure the accurate drawdown amount was being requested.

OFSS's prescribed controls over cash management requirements with regard to BOR R&D awards consisted of a reconciliation of revenues to expenditures recorded in ISIS to ensure the appropriate amount was being drawn down and expenditures did not exceed revenues. OFSS did not perform the reconciliations over cost reimbursement award drawdown requests to ensure that BOR R&D awards were in compliance with cash management requirements.

Federal regulations require that the non-federal entity receiving federal awards must establish and maintain effective internal control over the federal award that provides reasonable assurance that the entity is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Failure to follow prescribed controls could result in BOR requesting reimbursement for expenses not incurred prior to the request, expenditures being requested multiple times, or expenditures exceeding revenues, and could place BOR in noncompliance with federal regulations.

Management should ensure that the reconciliation of revenues to expenditures is performed for all drawdown requests. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

#### **Indirect Costs not Reported on the SEFA**

OFSS did not have controls in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) information for BOR included all expenditures before submitting it to the Office of Statewide Reporting and Accounting Policy (OSRAP) for inclusion in the state's Single Audit report.

OFSS submitted an inaccurate SEFA for BOR for the fiscal year ending June 30, 2016, by excluding approximately \$213,000 of indirect cost expenditures from the total expenditures reported. Failure to properly compile SEFA information before submitting it to OSRAP increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Federal regulations state, "for reports prepared on a cash basis, expenditures are the sum of (1) cash disbursements for direct charges for property and services; (2) the amount of indirect expenses charged; (3) the value of third-party in-kind contributions applied and (4) the amount of cash advance payments and payments made to subrecipients." Note C of the SEFA provided by OSRAP that describes indirect cost states, "Indirect costs charged to federal grants and contracts by means of approved indirect cost rates are recognized as disbursements or expenditures in the SEFA."

OFSS should strengthen its controls over the financial reporting process of the SEFA to ensure all expenditures are reported. In addition, BOR and OFSS management should perform a thorough review of the SEFA information to identify and correct errors before submitting it to

OSRAP. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

### **Inadequate Internal Audit Function**

BOR did not have an adequate internal audit function to examine, evaluate, and report on its internal controls and to evaluate compliance with the policies and procedures that are necessary to maintain adequate controls. In addition, BOR did not comply with Louisiana Revised Statute (R.S.) 17:3138.6 that requires BOR to establish an internal audit function that adheres to the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* (IIA Standards). R.S. 17:3138.6 also requires that the chief audit executive annually certify conformance with IIA Standards to the board.

Our review of the BOR internal audit function noted the following:

- BOR management has assigned the function of the internal auditor to an employee within the agency.
- An Internal Audit Charter was provided in March 2017; however, it had not been approved by BOR management or the board.
- No audit plan or risk assessment was performed by BOR for fiscal year 2016 or fiscal year 2017. An effective internal audit function should include identifying high-risk areas and reporting whether controls are in place to properly safeguard against those risks.
- BOR did perform one internal audit related to the LaCarte Purchasing Card (LaCarte card) and noted no findings. This audit is required by the State of Louisiana Corporate Liability "LaCarte" Purchasing Card Policy (LaCarte Purchasing Card policy) and was not performed due to a risk assessment that identified it as a risk-based project.
- The chief audit executive did not annually certify to the board that the internal audit function conformed to IIA Standards.
- BOR did not have a quality assurance and improvement program as required by IIA Standards.

An adequate and effective internal audit function is important to ensure that BOR's assets are safeguarded and that management's policies and procedures are uniformly applied. BOR management should take the necessary steps to ensure an adequate internal audit function is in place. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

## **Inadequate Controls over Payroll**

BOR did not have adequate controls in place to ensure manual time sheets were correctly entered into the LaGov system; manual leave slips entered were obtained and maintained within the payroll files; employees' time sheets were certified and approved before the payroll processing date; and the overall payroll documentation prepared by the primary time administrator for each pay period was reviewed by the secondary time administrator in accordance with BOR policy.

We reviewed payroll documentation for eight pay periods that occurred in fiscal years 2016 and 2017 and noted the following exceptions:

- Six pay periods contained employees with manual time sheets that were not correctly entered into the LaGov System, and therefore their hours were coded to the incorrect reporting category or leave was incorrectly entered for the pay period. Improper coding could cause inaccurate payroll amounts charged to grants.
- One pay period included two employees' leave hours manually entered in the system but BOR did not obtain or maintain copies of the approved leave slips.
- Three pay periods contained manual time sheets that were approved after the payroll processing date or that were missing from the payroll files.
- Seven pay periods had employees whose time sheets were not certified by the employee or approved by a supervisor within the LaGov system until after the payroll processing date. In some instances, supervisors were out of the office, and no one approved electronic time sheets in their place. For two of the seven noted pay periods, all certifications and approvals were made before the payroll payment date.
- Four pay periods did not have evidence that the overall payroll documentation was reviewed by the secondary time administrator in accordance with BOR policy.

BOR did not follow BOR procedure policy HR-33 regarding the compilation of overall payroll documentation by the primary time administrator and approval of the documentation by the secondary time administrator, which should have indicated approval with check marks and signatures. In addition, BOR did not design or implement adequate controls to ensure approved manual time sheets and leave slips were entered correctly into the LaGov system and all manual time sheets and leave slips were approved before the payroll processing date and maintained on file. According to staff at BOR, if supervisors are not available to approve employees' time sheets when due, they use the unapproved time sheets to enter the employee's time. Also, BOR did not design or implement adequate controls to ensure all employee time and leave is certified and approved in the LaGov system for employees who do not have manual time sheet and leave slip approvals.

BOR management should implement internal controls to ensure employee time and leave is entered accurately in the LaGov system based on approved manual time sheets and leave slips that are adequately maintained on file. BOR management should implement internal controls to ensure that all employee time is certified and approved before payroll processing is complete and that there is an adequate review of the payroll file to ensure the payroll was processed correctly. Management concurred in part with the finding and indicated that it uses the Division of Administration (DOA)'s Personnel Policy No. 99 – Electronic Certification of Employee Time Statements. Management represented that the policy stipulates the window of time when certification is available and actions to be taken if time sheets are locked after the window closes, but does not set a deadline by which certification and approval must occur (see Appendix A, page 6).

**Additional Comments:** Requiring that all employee time is certified and approved before payroll processing is complete helps ensure that payroll is processed correctly and helps deter fraud and abuse. In addition, DOA's Personnel Policy No. 99 states that action must be taken on the employee's time statement no later than 10 p.m. on the Wednesday following the close of the pay period.

### **Noncompliance with State LaCarte Purchasing Policy**

BOR did not have adequate controls in place to ensure it was in compliance with the LaCarte Purchasing Card policy regarding employee certifications, cardholder/approver/program administrator agreement forms, and approvals for food purchases. Inadequate controls over LaCarte card purchases increases the risk that purchases could be made or approved by inappropriate or unknowledgeable employees and that ineligible or fraudulent purchases could be made.

We obtained and reviewed all BOR enrollment forms, agreement forms, and online certification class verifications. BOR had two cardholders, two cardholder approvers, and one program administrator during fiscal years (FY) 2016 and FY 2017. We noted the following:

- One cardholder approver's agreement form and online certification class verification could not be located, even though the employee approved LaCarte purchases.
- One cardholder approver did not have an online certification class completed as of March 1, 2017, even though the employee approved LaCarte purchases beginning November 10, 2016.

We reviewed 15 LaCarte transactions that occurred in FY 2016 and FY 2017. Our procedures identified two of the 15 LaCarte transactions reviewed were for food purchases totaling \$4,047 made without required prior approval from the Office of State Purchasing and Travel. Total food purchases made on the LaCarte cards for FY 2016 and FY 2017 at the time of our procedures totaled \$12,214.

According to the LaCarte Purchasing Card policy, the card should never be used for the purchase of alcohol, food, travel expenses, or entertainment services without prior written permission from



the Office of State Purchasing and Travel. Also according to the LaCarte Purchasing Card policy, an agreement form is required to be signed by the cardholder, approver, and program administrator annually, and all program administrators, cardholders, Controlled Billed Account (CBA) administrators, and cardholder approvers are required to complete an online certification class annually, receiving a passing grade of at least 90.

BOR management should implement internal controls to ensure prior approvals are obtained when required by the LaCarte Purchasing Card policy. In addition, BOR management should implement internal controls to ensure each cardholder, cardholder approver, and program administrator obtains appropriate certifications and agreement forms, and documentation is maintained. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 7).

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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, 2016, we performed internal control and compliance testing as required by Uniform Guidance on BOR's R&D Cluster of federal programs. 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.

Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with Subrecipient Monitoring Requirements, Weaknesses in Controls over Cash Management Requirements, and Indirect Costs not Reported on the SEFA. These findings were included in the Single Audit for year ended June 30, 2016.

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## **Other Procedures**

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 applicable laws and regulations. Based on the documentation of BOR's internal controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to internal audit, payroll expenditures, travel expenditures, LaCarte and CBA program expenditures, the Taylor Opportunity Program for Students (TOPS) program, the Workforce and Innovation for a Stronger Economy (WISE) Fund, and other nonpayroll expenditures.

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## **Internal Audit**

Pursuant to the 2015 Legislative Regular Session, R.S. 17:3138.6 requires BOR to establish an internal audit function and an office of the Chief Audit Executive who is responsible for ensuring that the internal audit function adheres to IIA Standards. Through inquiry, observation, and review, we obtained information to determine if BOR was in compliance with R.S. 17:3138.6.

Based on the results of our procedures, BOR was determined to not be in compliance with R.S 17:3138.6 (see Finding section).

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## **Payroll Expenditures**

Based on risks identified, we obtained an understanding of controls over payroll processing and examined documentation for selected pay periods for adequate certification and approvals, and adequate time and leave entry, and to determine if the pay period was processed in compliance with applicable policies and procedures. Based on the results of our procedures, BOR did not adequately obtain employee certification and approvals, did not adequately enter time and leave, and did not maintain adequate approval documentation (see Finding section).

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## **LaCarte and CBA Program Expenditures**

BOR participates in the State of Louisiana's LaCarte Purchasing Card program for goods and service expenditures, including a Controlled Billing Account (CBA). We obtained an understanding of controls over these programs and examined selected transactions to determine whether purchases and charges were properly authorized, made for proper business purposes, accurately recorded, adequately supported, and in compliance with applicable laws and regulations. We also examined cardholder, approver, and program administrator agreement forms and certification to ensure each was in compliance with the State of Louisiana's LaCarte Purchasing Card program. Based on the results of our procedures, BOR did not receive adequate approval from the Office of State Purchasing and Travel for food purchases made with the LaCarte Card nor did it obtain and maintain agreement forms or certifications for certain LaCarte Card approvers (see Finding section).

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## **Travel Expenditures**

We obtained a basic understanding of BOR's policies and controls over travel authorizations and travel expenditures. We selected and examined travel expenditure transactions to determine if the transactions were made in accordance with applicable laws and regulations. Based on the results of our procedures, travel expenditures were properly authorized, made for proper business purposes, accurately recorded, and supported.

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## **Taylor Opportunity Program for Students (TOPS)**

Pursuant to Act 314 of the 2016 Legislative Session, the Louisiana Office of Student Financial Assistance (LOSFA) merged with BOR and became a program within BOR. Among the programs administered by LOSFA is one of Louisiana's premier merit-based scholarships program, TOPS. TOPS provides scholarships for Louisiana residents who attend the state's

public colleges and universities, schools that are a part of the Louisiana Community and Technical College System, Louisiana-approved proprietary and cosmetology schools, or institutions that are a part of the Louisiana Association of Independent Colleges and Universities. We obtained a basic understanding of the policies, laws, regulations, and controls in place at LOSFA for determining student eligibility and continuing eligibility for the TOPS program for FY 2017. We selected and examined students who received TOPS for the first time in FY 2017 as well as students who continued to be eligible and received the award again in FY 2017 to determine if they were eligible to receive the award. Based on the results of our procedures, no exceptions were noted.

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## **Workforce and Innovation for a Stronger Economy (WISE) Fund**

The WISE Fund allocated \$40 million to higher education institutions for the purpose of strategically aligning new investments in higher education with the workforce needs and emerging growth in the state's economy. The funds were appropriated to BOR to be distributed to and used by postsecondary education institutions in accordance with a statewide workforce demand and gap analysis. The WISE Fund was signed into legislation in June 2014. Due to cuts in the state's budget in FY 2016 and FY 2017, there was no additional WISE funding beyond the \$40 million awarded in the 2014 regular session. Through inquiry, observation, and review, we obtained information to determine if BOR was in compliance with WISE Fund legislation and policies regarding the disbursement and monitoring of the institutions that received funding. No exceptions were noted.

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## **Nonpayroll Expenditures**

Pursuant to Act 314 of the 2016 Legislative Session, LOSFA merged with BOR and provides as the accounting function for BOR as of July 1, 2016. Previously the Division of Administration's Office of Finance and Support Services (OFSS) served in this position for BOR. We obtained a basic understanding of policies and controls in place at BOR and LOSFA for the processing of nonpayroll transactions for BOR. We selected and examined nonpayroll transactions to determine if the transactions contained appropriate approvals, and supporting documentation, and were accurately recorded. Based on the results of our procedures, no exceptions were noted.

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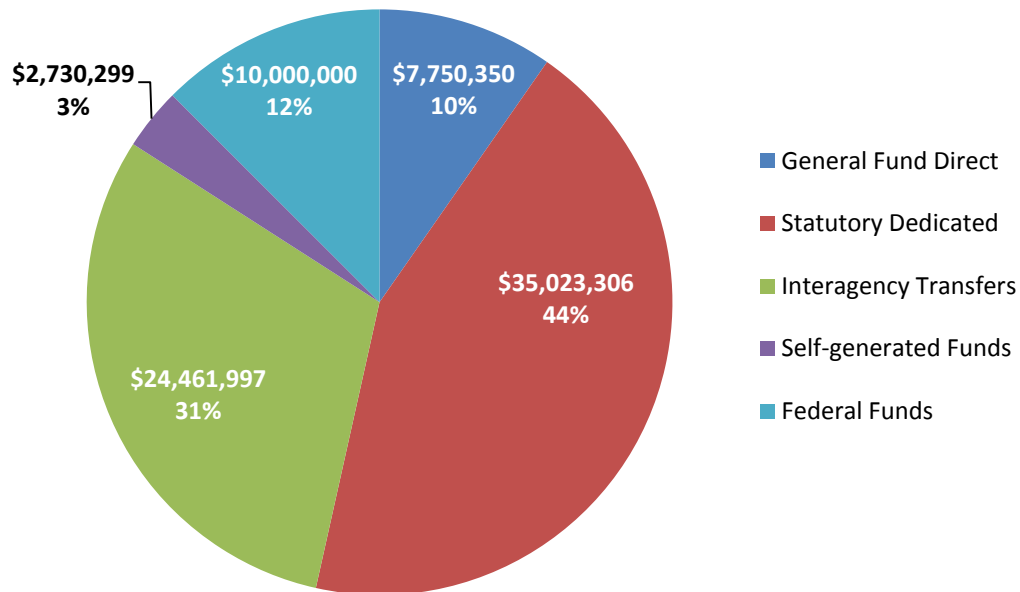
## **Comparison of Activity between Years**

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 management for any significant variances. Management provided reasonable explanations for all significant variances.

Pursuant to Act 314 of the 2016 Legislative Session, LOSFA and the Louisiana Universities Marine Consortium (LUMCON) were consolidated into programs of BOR. We compared the FY 2016 and FY 2017 budgets provided by BOR in order to show the increase in total funding sources due to the merging of LOSFA and LUMCON into programs of BOR. We prepared a comparison of revenue funding sources, as shown in Exhibits 1 and 2.

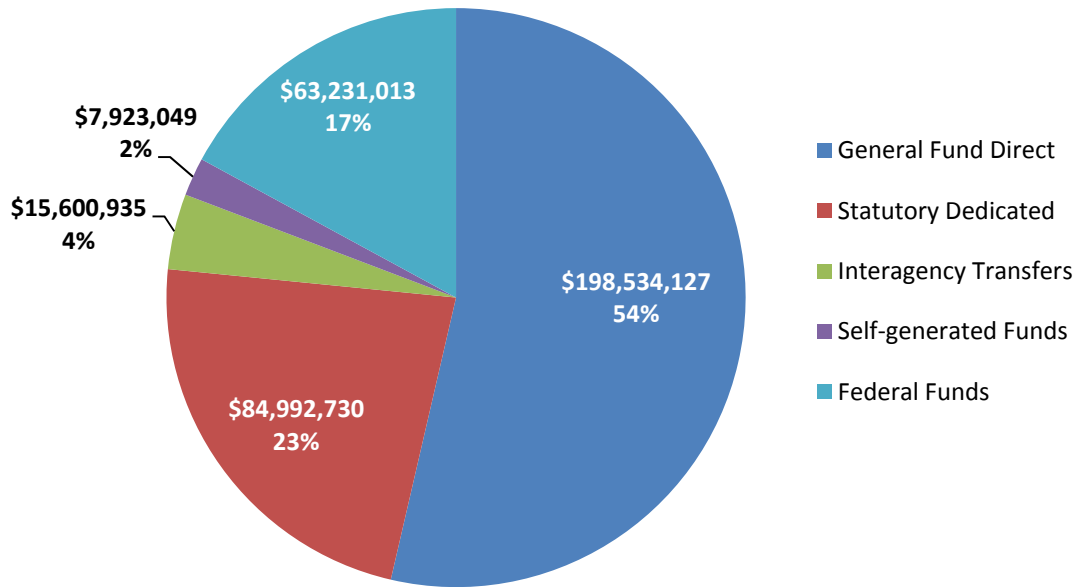
As shown below in the two-year comparison in Exhibit 1 and Exhibit 2 on the following page, BOR’s largest increase with the merger occurred in general fund revenue for FY 2017, which was mainly the result of the TOPS program associated with LOSFA.

**Exhibit 1**  
**Budgeted Revenues for Funding Source for Fiscal Year 2016**  
**Total: \$79,965,952**



Source: BOR website - BOR-1 Summary

**Exhibit 2**  
**Budgeted Revenues for Funding Source for Fiscal Year 2017**  
**Total: \$370,281,854**



Source: BOR website - BOR-1 Summary

Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

RW:JPT:BH:EFS:aa

BOR 2017



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





*Richard A. Lipsey*  
*Chair*

*Edward D. Markle*  
*Vice Chair*

*Marty J. Chabert*  
*Secretary*

*Joseph C. Rallo, Ph.D.*  
*Commissioner of*  
*Higher Education*



*Claudia H. Adley*  
*Blake R. David*  
*Thomas G. Henning*  
*Robert W. Levy*  
*Roy O. Martin III*  
*Charles R. McDonald*  
*Darren G. Mire*  
*W. Clinton Rasberry, Jr.*  
*T. Jay Seale III*  
*W. Gray Stream*  
*Collis B. Temple III*  
*Jacqueline V. Wyatt*  
*Benson T. Kinney, Student*

**BOARD OF REGENTS**

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*Baton Rouge, LA 70821-3677*  
*Phone (225) 342-4253, FAX (225) 342-9318*  
[www.regents.la.gov](http://www.regents.la.gov)

February 15, 2017

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

Dear Mr. Purpera:

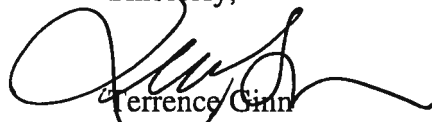
The Board of Regents (BOR) concurs with the finding described under “Noncompliance with Subrecipient Monitoring Requirements.” In response to the finding the following corrective action plans will be taken to ensure BOR has adequate policies and procedures to be compliant with subrecipient monitoring requirements:

- BOR Finance and Administration staff will update BOR’s Subrecipient Monitoring Policy and Procedures to specify that subrecipients who expend \$750,000 or more in federal awards during the subrecipient’s fiscal year will have audits completed within nine months of the end of the subrecipient audit period in accordance with 2 CFR Part 200, Appendix XI Compliance Supplement, Part 3, Section M. The Higher Education Auditor will develop and maintain an audit tracking file to ensure audits are completed within nine months of the audit period; a management decision on audit findings is issued within six months after receipt of the subrecipient’s audit report; and timely and appropriate corrective action on audit findings are taken by the subrecipient; or certification indicating an audit is not required is obtained from the subrecipient.
- BOR Sponsored Programs staff will develop procedures to ensure each subaward is clearly identified to the subrecipient as a subaward and includes necessary and applicable information listed in 2 CFR 200.331(a)(1). Grant Administrative employees will be responsible for gathering the information, ensuring the information is included in subaward files, and communicating the information to the subrecipient.

- BOR Finance and Administration staff along with BOR Sponsored Programs staff will develop risk evaluation procedures in accordance with 2 CFR 200.331(b) to ensure adequate evaluations of subrecipients' risk of noncompliance to determine the appropriate level of subrecipient monitoring under the award.

We plan to develop the aforementioned procedures by March 31, 2017 and will begin implementing these procedures immediately upon full development. The contact person for our corrective is Higher Education Auditor Chris Mestayer. Mr. Mestayer can be contacted at (225) 342-4253 should you have any questions regarding our response.

Sincerely,

A handwritten signature in black ink, appearing to read "Terrence Cinn", written over the printed name.

Terrence Cinn  
Deputy Commissioner for Finance and Administration

*Richard A. Lipsey*  
Chair

*Edward D. Markle*  
Vice Chair

*Marty J. Chabert*  
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Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
Louisiana Legislative Auditor  
1600 North Third St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The Board of Regents (BOR) concurs with the finding described under “Weaknesses in Controls over Cash Management Requirements.” Prior to Fiscal Year 2016-2017, the Office of Finance Support Services (OFSS) performed reconciliations of revenues to expenditures recorded in ISIS to ensure appropriate drawdown amounts and expenditures do not exceed revenues. OFSS did not perform the reconciliations over cost reimbursement award drawdown requests for 6 (15%) of the transactions tested.

As of Fiscal Year 2016-2017, the Louisiana Office of Student Financial Assistance (LOFSA) was consolidated into the BOR and has assumed duties previously performed by OFSS for BOR. BOR Finance and Administration staff will develop procedures with LOFSA personnel to be compliant with Cash Management Requirements per 2 CFR 200.303(a). This will include procedures to ensure reconciliations of revenues to expenditures are performed for all drawdown requests.

We plan to develop the aforementioned procedures by March 31, 2017 and will begin implementing these procedures immediately upon full development. The contact person for our corrective is Higher Education Auditor Chris Mestayer. Mr. Mestayer can be contacted at (225) 342-4253 should you have any questions regarding our response.

Sincerely,

A handwritten signature in black ink, appearing to read "Terrence Ginn", written over a horizontal line.

Terrence Ginn  
Deputy Commissioner for Finance and Administration

*Richard A. Lipsey*  
Chair

*Edward D. Markle*  
Vice Chair

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Dear Mr. Purpera:

The Board of Regents (BOR) concurs with the finding described under "Indirect Costs not Reported on the SEFA." Prior to Fiscal Year 2016-2017, the Office of Finance Support Services (OFSS) completed the Schedule of Expenditures of Federal Awards (SEFA) on behalf of BOR. OFSS excluded approximately \$213,000 of indirect cost expenditures from the total expenditures reported. This was caused by a lack of controls to ensure SEFA information includes all expenditures prior to submission of the SEFA to the Office of Statewide Reporting and Accounting Policy (OSRAP).

As of Fiscal Year 2016-2017, the Louisiana Office of Student Financial Assistance (LOFSA) was consolidated into BOR and has assumed duties previously performed by OFSS for BOR. BOR Finance and Administration staff will develop procedures with LOFSA personnel to be compliant with 2 CFR Part 200.34(b). This will include procedures to reconcile expenditures of federal awards for the fiscal year to ensure expenditures are accurately classified and reported.

We plan to develop the aforementioned procedures by March 31, 2017 and will begin implementing these procedures immediately upon full development. The contact person for our corrective is Higher Education Auditor Chris Mestayer. Mr. Mestayer can be contacted at (225) 342-4253 should you have any questions regarding our response.

Terrence Ginn

A handwritten signature in black ink, appearing to read "Terrence Ginn", is written over the typed name. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Deputy Commissioner for Finance and Administration

*Richard A. Lipsey*  
Chair

*Edward D. Markle*  
Vice Chair

*Marty J. Chabert*  
Secretary

*Joseph C. Rallo, Ph.D.*  
Commissioner of  
Higher Education



**BOARD OF REGENTS**

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*T. Jay Seale III*  
*W. Gray Stream*  
*Collis B. Temple III*  
*Jacqueline V. Wyatt*  
*Benson T. Kinney, Student*

June 8, 2017

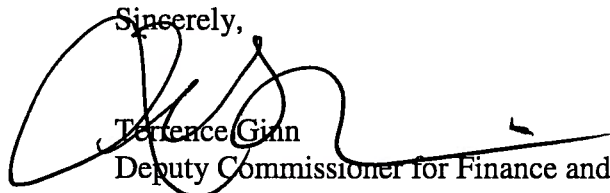
Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
Louisiana Legislative Auditor  
1600 North Third St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The Board of Regents (BOR) concurs with the finding described under "Inadequate Internal Audit Function." Louisiana Revised Statute (R.S.) 17:3138.6 requires Board of Regents (BOR) to establish an internal audit function that adheres to the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing*. As a result of Act 314 of 2016, BOR, Louisiana Office of Student Financial Assistance (LOFSA), and Louisiana Universities Marine Consortium (LUMCON) were consolidated. Efforts are being made to develop an internal audit function which covers BOR, LOSFA, and LUMCON to be in compliance with the law. This agency-wide function would include an audit charter, audit plan and risk assessment, and quality assurance and improvement program for all areas under BOR. BOR is also in the process of searching for a qualified Chief Audit Executive (CAE) to oversee the internal audit functions. The CAE will also certify to the Board that the internal audit functions conform to the IIA standards on an annual basis.

We plan to develop these internal audit functions upon hiring a CAE and will begin implementing these procedures immediately upon full development. The contact person for our corrective action is Higher Education Auditor Chris Mestayer. Mr. Mestayer can be contacted at (225) 342-4253 should you have any questions regarding our response.

Sincerely,

  
Terrence Ginn  
Deputy Commissioner for Finance and Administration

*Richard A. Lipsey*  
Chair

*Edward D. Markle*  
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Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
Louisiana Legislative Auditor  
1600 North Third St.  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

The Board of Regents (BOR) concurs in part with the finding described under “Inadequate Controls Over Payroll.” BOR does not concur with exceptions noted in the finding where timesheets were not certified by the employee or approved by a supervisor until after the payroll processing date. BOR employs the eCertification process wherein employees and supervisors certify and approve timesheets electronically. BOR uses the Division of Administration’s Personnel Policy No. 99 – Electronic Certification of Employee Time Statements. The policy stipulates the window of time when certification is available and actions to be taken if timesheets are locked after the window closes. It does not set a deadline by which certification and approval must occur.

BOR concurs with all other exceptions noted. Instances in which manual timesheets differed from the payroll report have been corrected via prior period adjustments. Manual leave slips have been approved and obtained for employees where a manual leave slip was required but unable to be located. BOR plans to retrain and emphasize to approvers and time-keeping personnel the importance of timely coding adjustments when necessary by June 30, 2017. BOR will also ensure that when a manual leave slip is needed it is obtained timely by the employee and properly maintained in the payroll documents file. Lastly, BOR will ensure payroll is reviewed in accordance with BOR policy HR-33 and evidenced appropriately. The contact person for our corrective action is Higher Education Auditor Chris Mestayer. Mr. Mestayer can be contacted at (225) 342-4253 should you have any questions regarding our response.

Sincerely,

A handwritten signature in black ink, appearing to read "Terrence Ginn", is written over the word "Sincerely,". The signature is fluid and cursive, extending to the right.

Terrence Ginn  
Deputy Commissioner for Finance and Administration

*Richard A. Lipsey*  
Chair

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June 8, 2017

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

Dear Mr. Purpera:

The Board of Regents (BOR) concurs with the finding described under "Noncompliance with State LaCarte Purchasing Policy." The cardholder approver who did not have an online certification class has completed the course and received certification on March 1, 2017. The cardholder approver whose agreement form and online certification class verification was unable to be located departed from BOR in January 2017. Lastly, documentation of approval for purchases like the ones noted in the exceptions was granted on March 30, 2017.

BOR will retrain card holders, approvers, and the program administrator on BOR LaCarte Policy LC-2 to ensure BOR is in compliance with the Louisiana Corporate Liability "LaCarte" Purchasing Card Policy. BOR will also retrain travel expense approval personnel to ensure proper approval is obtained prior to occurrences of special meals purchases in accordance with BOR Special Meals policy FR-1. We plan to retrain employees on the relevant BOR policies by July 1, 2017. The contact person for our corrective action is Higher Education Auditor Chris Mestayer. Mr. Mestayer can be contacted at (225) 342-4253 should you have any questions regarding our response..

Sincerely,



Terrence Ginn  
Deputy 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, 2015, through June 30, 2016, 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 Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2016.

In addition, we conducted certain procedures at BOR for the period from July 1, 2015, through June 30, 2017. Our objective was to evaluate certain internal controls BOR uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The scope of these procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

- We evaluated BOR's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of applicable laws and regulations.
- We performed procedures on the Research and Development Cluster of federal programs for the year ended June 30, 2016, as a part of the 2016 Single Audit.
- Based on the documentation of BOR's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to internal audit, payroll expenditures, travel expenditures, LaCarte Purchasing Card and Controlled Billing Account program expenditures, the Taylor Opportunity Program for Students program, the Workforce and Innovation for a Stronger Economy Fund, and other nonpayroll expenditures.
- 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 management for significant variances

We did not audit or review BOR's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. BOR's accounts are an integral part of the State of Louisiana's Comprehensive Annual Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.