

LOUISIANA STATE UNIVERSITY
AND RELATED CAMPUSES

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED MAY 23, 2022

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

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



LSU and Related Campuses

May 2022

Audit Control # 80210068

Introduction

As a part of our audit of the Louisiana State University (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2021, we performed procedures at the Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Louisiana State University of Alexandria, Louisiana State University at Eunice, and Louisiana State University Shreveport, collectively referred to as LSU and Related Campuses to provide assurances on financial information that is significant to the System’s financial statements; evaluate the effectiveness of LSU and Related Campuses’ internal controls over financial reporting and compliance; and determine whether LSU and Related Campuses complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LSU and Related Campuses management letter dated May 5, 2021. We determined that management has resolved the prior-year findings related to Noncompliance with and Inadequate Controls over Federal Special Tests and Provisions Requirements and Noncompliance with Gramm-Leach-Bliley Act - Student Information Security Requirements.

Current-year Findings

Noncompliance with and Inadequate Controls over Subrecipient Monitoring Requirements at Pennington Biomedical Research Center

The Pennington Biomedical Research Center (PBRC) did not adequately monitor subrecipients of the federal Research and Development (R&D) cluster. PBRC did not have adequate controls in place to ensure that required audits were completed within nine months of the subrecipient’s fiscal year-end. In a test of all PBRC subrecipients requiring monitoring of audit reports in fiscal year 2021, it was noted that for two out of 16 subrecipients (13%), PBRC was unable to provide

documentation that ensured each subrecipient obtained the required audit within nine months of the subrecipient's fiscal year-end, as required by federal regulations.

PBRC did not design or implement adequate controls to ensure that R&D cluster award subrecipients were monitored in accordance with federal regulations regarding subrecipient audit requirements. Failure to properly monitor subrecipients results in noncompliance with federal regulations and increases the likelihood of improper payments which may have to be returned to the federal grantor.

PBRC should design and implement controls to ensure the subrecipient has met its required audit requirements and that reviews of subrecipient audit reports are performed timely in order to evaluate the impact of any deficiencies noted and issue management decision letters, if applicable. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

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

Louisiana State University and A&M College (LSU A&M) did not have adequate controls in place to accurately maintain active and inactive Federal Perkins Loan records in accordance with federal regulations. In a test of 40 LSU A&M active Perkins Loan student files from a population of 2,114 files subject to Perkins Loans recordkeeping and record retention requirements, repayment schedules for 37 (93%), were not maintained in the fireproof safe in accordance with federal regulations. Of the 37 repayment schedules not maintained in the fireproof safe, one repayment schedule could not be located. In a test of 40 LSU A&M inactive Perkins Loan student files from a population of 1,075 files subject to Perkins Loans recordkeeping and record retention requirements, LSU did not maintain required documentation for five (13%) in accordance with federal regulations.

LSU did not design and implement adequate controls to ensure that Federal Perkins Loans active and inactive records are properly being maintained in accordance with 34 CFR 674.19(e). Failure to implement controls over Perkins Loan recordkeeping and record retention could result in the loss of required documentation and noncompliance with federal regulations.

LSU A&M should design and implement controls over Perkins Loan recordkeeping and record retention requirements that ensure the federal record retention regulations are being followed and required documentation is being accurately maintained for the time period set forth by the U.S. Department of Education. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund Costs

LSU A&M improperly requested and received reimbursement from the Higher Education Emergency Relief Fund (HEERF) for costs totaling \$40,897 that did not comply with program requirements. In a sample of 29 LSU A&M federal HEERF Institutional Portion transactions

from a population of 10,789 transactions, one instance (3%) tested was not in compliance with federal activities allowed and unallowed and allowable cost/costs principle requirements regarding lost revenue. LSU A&M received reimbursement for lost revenue related to investment income, which is a source not considered reimbursable per federal program requirements.

LSU A&M did not have adequate controls in place to ensure that lost revenue calculations included only those sources that were reimbursable under HEERF federal requirements. The exception resulted in total questioned costs of \$40,897. Failure to implement adequate controls over the monitoring of transactions charged to the federal HEERF program increases the risk that unallowable costs could be reimbursed by the federal agency.

LSU A&M should design and implement controls to ensure it requests reimbursement from HEERF for only those transactions that meet federal program requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund Reporting Requirements

LSU A&M did not ensure compliance with public reporting requirements of the HEERF for the Institutional and Student Aid Portion funds as established by the U.S. Department of Education. Exceptions for the required public reporting are as follows:

- LSU A&M did not complete and publicly report the Quarterly Public Reporting for the Student Aid Portion funds (AL 84.425E) for September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021.
- LSU A&M incorrectly reported \$9.3 million of Student Aid Portion amounts where Institutional Portion amounts were required on the Quarterly Public Reporting form for Institutional Portion funds (AL 84.425F) on the September 30, 2020 report.
- The Quarterly Public Reporting for Institutional Portion funds for the quarter ending December 31, 2020, was publicly posted at least 19 days after the required due date.
- LSU A&M incorrectly categorized \$7 million of student tuition exemptions for Summer 2020 and Summer 2021 that were paid from Institutional Portion funds (AL 84.425F) as emergency financial aid grants to students on the June 30, 2021 Quarterly Public Reporting form. These funds should have been reported in the category for tuition discounts.
- Due to the errors made on the September 30, 2020 Institutional Quarterly Public Reporting form, LSU A&M did not accurately report institutional dollars expended toward emergency financial aid grants to students on the Annual Report for period March 13, 2020, through December 31, 2020. LSU did not use any

Institutional Portion funds towards emergency financial aid grants to students as of December 31, 2020.

LSU A&M did not have adequate controls in place to ensure the accurate preparation of the HEERF federal program required reports or to ensure that the reports were publicly posted by the required deadlines. Failure to ensure the accuracy of quarterly reports for the HEERF federal program and to ensure the reports were publicly posted by the required deadlines resulted in noncompliance with federal regulations.

LSU A&M should strengthen its controls over reporting of the HEERF Institutional and Student Aid Portion information to ensure compliance with federal program requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 6).

Financial Statements – Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2021, 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, Capital Lease Obligations, Total Other Postemployment Benefits Liability, and Net Pension Liability

Net Position – Net Investment in Capital Assets, Restricted-Expendable, Restricted Nonexpendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Student Tuition and Fees net of Scholarship Allowances, Federal Grants and Contracts, Auxiliary Enterprise, State Appropriations, Gifts, and Federal Nonoperating Revenues

Expenses – Educational and General, and Auxiliary Enterprise

The account balances and classes of transactions tested, as adjusted, 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, 2021, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LSU and Related Campuses' major federal programs, as follows:

- Research and Development Cluster

- Student Financial Assistance Cluster
- Education Stabilization Fund - Higher Education Emergency Relief Fund (AL 84.425)

Those tests included evaluating the effectiveness of LSU and Related Campuses' internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LSU and Related Campuses complied with applicable program requirements. In addition, we performed procedures on loan information submitted by LSU and Related Campuses to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with and Inadequate Controls over Subrecipient Monitoring Requirements at Pennington Biomedical Research Center, Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retention Requirements, Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund Costs, and Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund Reporting Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2021. In addition, LSU and Related Campuses' loan information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings is materially correct.

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 controls and compliance with related laws and regulations over Student Payroll and Additional Compensation. We also performed certain procedures that included obtaining, documenting, and reviewing Pennington Biomedical Research Center internal controls and compliance with related laws and regulations over Payroll, Procurement, and Student Payroll.

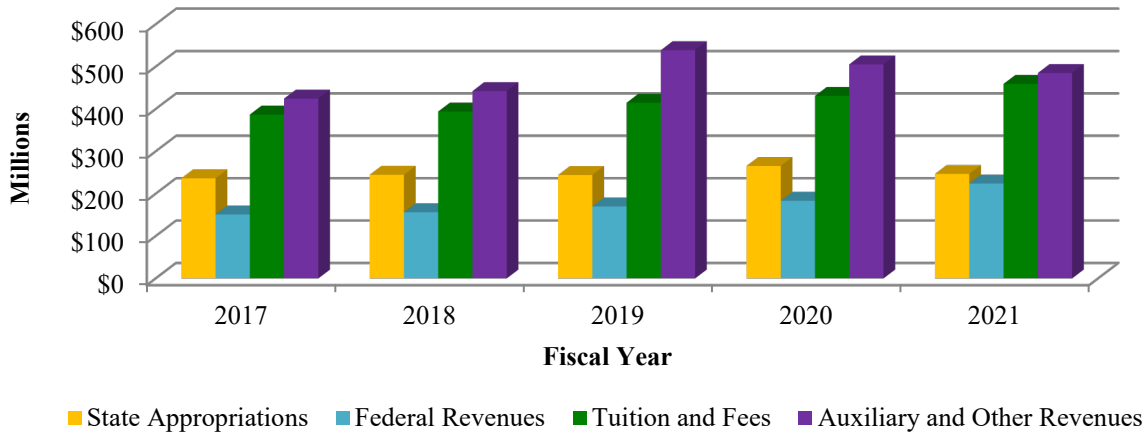
Based on the results of these procedures performed, we did not report any findings.

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.

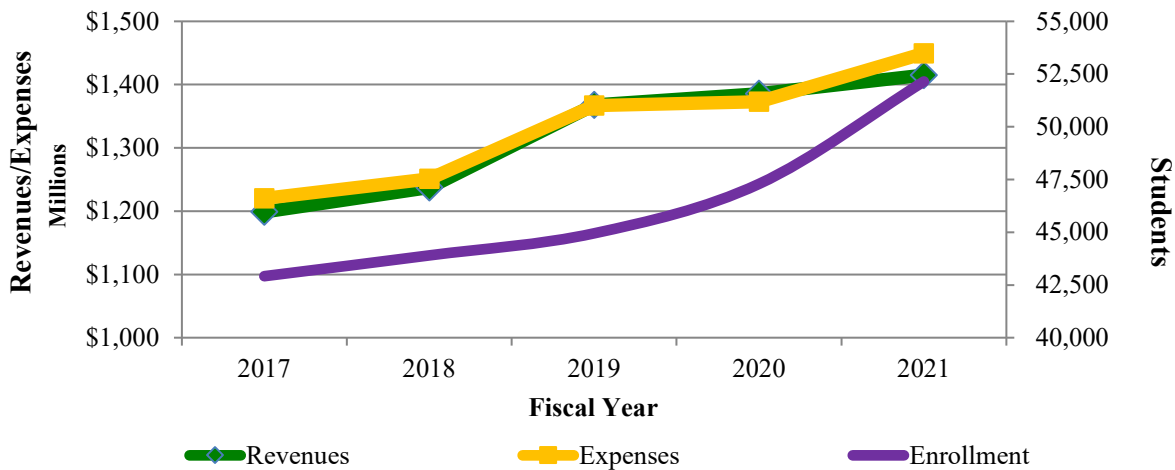
In analyzing financial trends of LSU and Related Campuses over the past five fiscal years, expenses have increased by 18.8% since 2017, while state appropriations have increased by 4.4%. Over that same period, tuition and fees have increased by 18.7%, mainly because of the increases in enrollment. Total enrollment for LSU and Related Campuses has increased by 21.5% since 2017.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Year 2017-2021 LSU System Audit Reports

**Exhibit 2
Fiscal/Fall Enrollment Trend Analysis**



Source: Fiscal year 2017-2021 LSU System Audit Reports and Louisiana Board of Regents website

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,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

REW:JPT:BH:EFS:aa

LSUANDRELATED 2021

APPENDIX A: MANAGEMENT'S RESPONSES

April 5, 2022

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Noncompliance with and Inadequate Controls over Subrecipient Monitoring Requirements at Pennington Biomedical Research Center

Dear Mr. Waguespack,

We have carefully reviewed your findings of Noncompliance with Inadequate Controls over Subrecipient Monitoring Requirements, and we concur. We have provided the following response to address this item. Please contact me if you have any additional questions or require more information.

We will strengthen our controls over Subrecipient Monitoring Processes to ensure all requirements are met in accordance with 2 CFR 200.332 (f) and that audit reports from our subrecipients are completed and retrieved within nine months of the subrecipients fiscal year end. Any exceptions to this action will be duly noted and dated.

Our Subrecipient Monitoring Standard Operating Procedure (SOP) will be modified to ensure that internal controls are put in place to ensure that each subrecipient has met its required audit requirements and that reviews of subrecipient audit reports are performed timely in order to evaluate the impact of any deficiencies noted and issue management decision letters in accordance with 2 CFR 200.332 (d) (2) and (3) within six months after acceptance of the subrecipient audit report by the Federal Audit Clearinghouse (FAC).

Modifications to our SOP for subrecipient monitoring designed to prevent this type of finding in the future include:

- Ensuring that all domestic subawardees are identified primarily by EIN and secondarily by name when searching FAC for Audit Reports
- Monthly searches will be done to FAC until any pending subawardee audit report are posted and effectively downloaded. All effort attempts will be recorded on our Subrecipient Monitoring Spreadsheet.
- Require follow-up correspondence to any subawardee to request a copy of their Single Audit Report or Certification that a Single Audit Report is not required when their Single Audit Report is not available on the FAC website within nine months of the fiscal year end.

- A management plan memo will be completed for any subawardees whereby the subaward was issued by Pennington and had material weaknesses in internal control or material instances of noncompliance.

The corrective plan will go into effect on April 6, 2022. The responsible parties are our Post-Award Accounting employees, Niki Hays and Yvette Gray, and Monica Mougeot, Director of Fiscal Operations.

Sincerely,



Guy LaVergne

Associate Executive Director for Operations and CFO

Cc John Kirwan, PhD, Executive Director
Monica Mougeot, Director of Fiscal Operations



Finance & Administration

March 31, 2022

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

Dear Mr. Waguespack,

In conjunction with the Single Audit for FY2021, we concur with the finding concerning Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retention Requirements. As noted in the finding, the repayment schedules were not stored in the fireproof cabinet and the required documentation for inactive Perkins Loan student files was not maintained. LSU has already begun efforts towards compliance with Perkins Loan Recordkeeping and Record Retention Requirements and as such offer the below as a response to the finding:

Finding:

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

Perkins Loan Compliance Efforts and Response to Finding:

- All repayment schedules are being moved from the locked, secured borrower folder to the fireproof cabinets. This effort will be completed by June 30, 2022.
- The missing repayment schedule was reprinted and is filed in the fireproof cabinet.
- The inactive files did contain formal letters sent to borrowers but did not contain a copy of enrollment data from the National Student Clearinghouse. Going forward, documentation will be retained in inactive files.
- For all loans that are already in inactive status from FY2019 forward with a student deferment, a copy of the enrollment data from the National Student Clearinghouse is being printed and filed in the borrower folder. This effort will be completed by June 30, 2022.
- On December 1, 2021, servicing of the Perkins Loan program was outsourced to ECSI. Each month ECSI gets a report from the National Student Clearinghouse. The report is compared to the active borrowers in the system. ECSI updates any borrower that is a student in the National Student Clearinghouse but not a student in their system.



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- Borrowers may also send an In-School Deferment Request form directly to ECSI or to LSU Perkins Loan. If LSU receives the form, it is sent to ECSI Client Support. ECSI processes the forms and updates the borrower to an In-School deferment and scans the form to the borrower's electronic folder.

Persons Responsible:

Melanie Powell, Director Bursar Operations
Roselyn Lacey, Associate Director Bursar Operations
Kattie Gregoire, Manager Bursar Operations
Tamela Dickenson, Coordinator

Sincerely,

A handwritten signature in black ink, appearing to read "Donna K. Torres".

Donna K. Torres, CPA
Vice President for Finance



Finance & Administration
Office of Accounting Services

April 13, 2022

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

Dear Mr. Waguespack,

In conjunction with the Single Audit for FY 2021, we concur with the finding concerning Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund (HEERF) Costs totaling \$40,897.

Finding:

Noncompliance with and Inadequate Controls over HEERF Costs

Response to Finding:

- The revenue loss entry in the amount of \$40,897 was reversed in the financial system.
- A refund was processed in the amount of \$40,897 to US Department of Education through G5.
- LSU conducted a presentation to departmental business officers on March 29, 2021, which addressed non-reimbursable forms of revenue loss.
- A secondary review of all revenue loss entries will be performed to ensure compliance with HEERF guidance.

Anticipated Completion Date:

June 30, 2022

Persons Responsible:

Elahe Russell, Associate Vice President for Accounting Services
Jaime Estave, Director of Sponsored Program Accounting

Sincerely,

Donna K. Torres, CPA
Vice President for Finance

cc: Elahe Russell
Chad Brackin
Hope Rispone
Jaime Estave



Finance & Administration

April 29, 2022

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

Dear Mr. Waguespack,

In conjunction with the Single Audit for FY 2021, we concur with the finding concerning "Noncompliance with and Inadequate Controls over Higher Education Emergency Relief Fund (HEERF) Reporting Requirements". Since the inception of HEERF, the US Department of Education has continuously issued changes to program guidance and reporting requirements. Due to the unusual and unprecedented circumstances surrounding COVID-19 and the inconsistency in HEERF requirements from month-to-month, management of the award has posed significant challenges for institutions of higher education during a time where we are also experiencing high staff turnover. Despite these circumstances, we offer the following corrective action plan.

Finding:

Noncompliance with and Inadequate Controls over HEERF Reporting Requirements

Corrective Action Plan:

- LSU is conducting an additional review of the released guidance and reporting requirements to ensure compliance of any published, missing, or future reports.
- In accordance with HEERF guidance, any reports with expenses that were incorrectly categorized will be revised and publicly published, if applicable.
- All reports that were not completed or require revision will be publicly published, if applicable.
- The Year One Annual Report will be corrected by the due date, May 6, 2022.

Anticipated Completion Date:

June 30, 2022

Persons Responsible:

Jaime Estave, Director of Sponsored Program Accounting

Sincerely,

Donna K. Torres, CPA
Vice President for Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Louisiana State University of Alexandria, Louisiana State University at Eunice, and Louisiana State University Shreveport, collectively referred to as LSU and Related Campuses, for the period from July 1, 2020, through June 30, 2021, to provide assurances on financial information significant to the Louisiana State University System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2021.

- 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, Student Financial Assistance cluster, and Education Stabilization Fund - Higher Education Emergency Relief Fund (AL 84.425) for the year ended June 30, 2021, as a part of the 2021 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2021, as a part of the 2021 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 certain procedures that included obtaining, documenting, and reviewing LSU and Related Campuses' internal controls and compliance with related laws and regulations over Student Payroll and Additional Compensation. We also performed certain procedures that included obtaining, documenting, and reviewing Pennington Biomedical Research Center internal controls and compliance with related laws and regulations over Payroll,

Procurement, and Student Payroll. 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 Report, and accordingly, we do not express an opinion on that report. LSU and Related Campuses' accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.