

LOUISIANA STATE UNIVERSITY AND RELATED CAMPUSES

LOUISIANA STATE UNIVERSITY SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued April 23, 2025

**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
BETH Q. DAVIS, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3478 or Report ID No. 80240015 for additional information.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.35. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Jenifer Schaye, General Counsel, at 225-339-3800.

Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



LSU and Related Campuses

April 2025

Audit Control # 80240015

Introduction

As a part of our audit of the Louisiana State University System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2024, we performed procedures at the Louisiana State University and A&M College (LSU A&M), Louisiana State University Agricultural Center, Pennington Biomedical Research Center (PBRC), Louisiana State University of Alexandria, Louisiana State University at Eunice, and Louisiana State University Shreveport (LSUS), 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.

We also 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 February 21, 2024. We determined that management has resolved the prior-year findings related to Noncompliance with and Inadequate Controls over Perkins Loan Recordkeeping and Record Retention Requirements and Noncompliance with Federal Equipment Management Regulations at LSU A&M.

Current-year Findings

Noncompliance with and Inadequate Controls over Subrecipient Monitoring at PBRC

PBRC did not adequately monitor subrecipients of the Research and Development (R&D) Cluster programs. In a sample of nine grants to subrecipients, it was noted that for five (56%) of the grants evaluated, PBRC could not provide evidence that the required risk analyses were performed to evaluate the subrecipient's fraud risk and risk of noncompliance with the subaward agreement.

Federal regulations require pass-through entities to evaluate each subrecipient's fraud risk and risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining the appropriate subrecipient monitoring.

PBRC did not follow established controls to ensure that R&D Cluster award subrecipients were monitored in accordance with federal regulations. 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 strengthen controls to ensure risk assessments are performed and documented on all subrecipients in accordance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security at LSUS

LSUS did not develop, implement, and maintain a comprehensive information security program to address the minimum requirements of the Gramm-Leach-Bliley Act standards for safeguarding student information. Management represents that it has prepared a draft information security program policy statement but acknowledges that the policies have not been finalized or implemented.

The Gramm-Leach-Bliley Act requires institutions that participate in Title IV Educational Assistance Programs to safeguard customers' sensitive data in accordance with federal regulations. Institutions are required to develop, implement, and maintain a comprehensive information security program that contains administrative, technical, and physical safeguards that are appropriate for the University. The information security program should include certain elements required by federal regulations reasonably designed to:

- insure the security and confidentiality of customer information;
- protect against any anticipated threats or hazards to the security or integrity of such information;

- protect against unauthorized access of such information that could result in substantial harm or inconvenience to any customer.

Failure to meet the minimum requirements of the Gramm-Leach-Bliley Act increases the risk of unauthorized disclosure, misuse, alteration, destruction or other compromise of student information and results in noncompliance with federal regulations. Management should develop, implement, and maintain an information security program to insure the security and confidentiality of student information and to protect against any anticipated threats or hazards to the security or integrity of such information. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Failure to Return Title IV Funds in Required Time Frames at LSUS

LSUS failed to return Title IV funds to the U.S. Department of Education (USDOE) within the required timeframes. In January 2025, management identified \$101,159 of outstanding checks to students or parents, issued from September 2014 to May 2024, that were not returned to USDOE as required by federal regulations.

Federal regulations require that if a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check. Management represented that its practice is to follow up with the student or parent and encourage them to deposit their checks, but there are no procedures in place to follow up and ensure the funds are returned to the USDOE within the required timeframe.

Failure to timely return Title IV funds to USDOE results in noncompliance with federal regulations and could result in disallowed costs. Management should develop and implement a process to return all Title IV funds that are not received by a student or parent to the USDOE within the required timeframes. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Financial Statements – Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2024, we considered LSU and Related Campuses' internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets – Cash and Cash Equivalents, Investments, and Capital Assets

Liabilities – Bonds Payable, Lease Liability, Finance Purchase Obligations, Total Other Postemployment Benefits Liability, and Net Pension Liability

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

Statement of Revenues, Expenses, and Changes in Net Position

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

Expenses – Educational and General and Auxiliary Enterprise

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested 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, 2024, 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 & 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 certain 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 at PBRC, Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security at LSUS, and Failure to Return Title IV Funds in Required Time Frames at LSUS. These findings were also included in the Single Audit for the year ended June 30, 2024. In addition, LSU and Related Campuses' 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 control and compliance with related laws and regulations over LaCarte expenditures and student payroll expenditures. Procedures related to student payroll expenditures were limited to the LSU A&M and PBRC campuses.

Based on the results of these procedures, 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.

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,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

ABM:ETM:JPT:BQD:aa

APPENDIX A: MANAGEMENT'S RESPONSES

February 10, 2025

Michael J. Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

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

Dear Mr. Waguespack,

We have carefully reviewed the finding of *Noncompliance with and Inadequate Controls over Subrecipient Monitoring Requirements* in your audit letter dated January 28, 2025, 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.

Our Subrecipient Monitoring Standard Operating Procedure (SOP) and related checklist will be modified to ensure that the first step in the Subaward Development process is the completion of the Subrecipient Risk Assessment by Sponsored Projects staff responsible for managing the award. The Director of Sponsored Projects will sign off on the draft subaward, and will also verify completion of the Subrecipient Risk Assessment and provide concurrence.

This corrective action plan will go into effect immediately, to be completed by June 30, 2025. The responsible parties are the Director of Sponsored Projects and the Sponsored Projects department staff.

Sincerely,



Guy LaVergne
Associate Executive Director for Operations

Office of Finance & Administration
318.797.5111
318.798.4141 Fax



One University Place
Shreveport, LA 71115-2399

February 17, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor

Dear Mr. Waguespack:

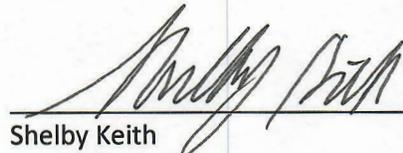
LSUS takes very seriously the security of student information.

Finding: Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security

Management Response: Management concurs with the finding. The University will develop, implement, and maintain an information security program to ensure the security and confidentiality of student information and to protect against any anticipated threats or hazards to the security or integrity of such information.

Responsible Personnel: Scott Hardwick, Associate Vice Chancellor of Information Technology & CIO.

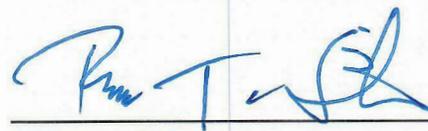
Implementation Date: December 1, 2025



Shelby Keith
Vice Chancellor for Finance & Administration



Date



Robert Smith
Chancellor



Date

February 28, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor

Dear Mr. Waguespack:

LSUS takes very seriously our responsibility of returning Title IV Funds in the required time frame. LSUS is proud of the fact that during the time frame of September 2014 to May 2024, the university disbursed more than \$445.5 million to students or families.

A report of outstanding checks was being generated by the Department of Accounting Services on an ad hoc basis and sent to the Department of Financial Aid. However, there was a misunderstanding about which department was following up. Therefore, each department thought the other department was following up on the outstanding checks.

Finding: Failure to Return Title IV Funds in Required Time Frames

Management Response: Management concurs with the finding. The University will develop and implement an updated process to return all Title IV funds that are not received by a student or parent to the USDOE within the required timeframes.

Responsible Personnel: Veronica Crabtree, Associate Vice Chancellor of Financer & Executive Director of Accounting Services and Lisa Pickering, Executive Director of Financial Aid.

Implementation Date: March 31, 2025



Shelby Keith
Vice Chancellor for Finance & Administration



Date



Robert Smith
Chancellor



Date

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University and A&M College, 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, 2023, through June 30, 2024, 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, 2024.

- We evaluated LSU and Related Campuses' operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LSU and Related Campuses.
- Based on the documentation of LSU and Related Campuses' controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the Research and Development cluster and Student Financial Assistance cluster for the year ended June 30, 2024, as a part of the 2024 Single Audit.
- We performed certain 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, 2024, as a part of the 2024 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 other procedures for the period from July 1, 2023, through June 30, 2024. Our objective was to evaluate certain controls LSU and Related Campuses uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. 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.