

LOUISIANA BOARD OF REGENTS

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued June 12, 2024

**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

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Louisiana Board of Regents

June 2024

Audit Control # 80230103

Introduction

As a part of our audit of the State of Louisiana's Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2023, we performed procedures at the Louisiana Board of Regents (Regents) to provide assurances on financial information that is significant to the state's Annual Comprehensive Financial Report; evaluate the effectiveness of Regent's internal controls over financial reporting and compliance; and determine whether Regent's complied with applicable laws and regulations.

In addition to the procedures noted above, we also performed certain other procedures for the period July 1, 2022 through June 30, 2023.

We also determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the Regents management letter dated June 28, 2023. We determined that management has resolved the prior-year finding related to Weaknesses in Controls Over Movable Property.

Current-year Finding

Inadequate Controls over Monies Held Outside State Treasury

The Louisiana Universities Marine Consortium (LUMCON), a program of the Board of Regents, did not complete bank reconciliations timely or indicate evidence of their review for an account held outside of the state treasury. Although all transactions were recorded in LUMCON's accounting records, transactions related to foundation funds were not recorded in the state accounting system during fiscal year 2023. Failure to complete bank reconciliations in a timely manner and to record all

transactions in the state accounting system increases the risk that errors and/or fraud could occur and not be detected in a timely manner and could result in inaccurate financial reporting.

Based on our review of fiscal year 2023 bank reconciliations, for an account held outside the state treasury, we noted the following:

- Nine of 12 (75%) monthly reconciliations were not completed timely, ranging from 71 to 236 days after relevant month-end.
- None of the 12 monthly reconciliations indicated evidence of review.
- During fiscal year 2023, LUMCON deposited \$4,518 in foundation-related monies from gift shop sales into LUMCON's bank account and remitted \$3,657 to a foundation fund for investment on behalf of LUMCON, per agreement. In addition, LUMCON disbursed \$12,500 in foundation-related monies for its graduate student fellowship program. None of this foundation-related activity was recorded in the state accounting system

Good internal controls require all transactions to be included in the state accounting system and a monthly reconciliation of bank balances to the accounting records be completed in a timely manner. Also, evidence of review of those reconciliations should be documented and maintained in LUMCON's accounting records. LUMCON has not developed effective internal controls to ensure all transactions are recorded in the state accounting system nor that all bank reconciliations are completed timely with evidence of review.

LUMCON should develop effective internal controls to ensure all transactions are recorded in the state accounting system and that all bank reconciliations are completed timely with evidence of review. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2023, we considered internal control over financial reporting and examined evidence supporting the Taylor Opportunity Program for Students expenditures.

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, 2023, we performed certain procedures 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 information submitted by Regents' 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).

Based on the results of these procedures, we did not report any findings. In addition, Regents' information submitted for the preparation of the state's SEFA is materially correct.

Other Procedures

In addition to the Annual Comprehensive Financial Report and Single Audit procedures noted above, we performed limited procedures on the self-generated revenues and movable property for LUMCON.

Based on the results of these procedures, we reported a finding related to Inadequate Controls over Monies Held Outside State Treasury, as described previously.

Trend Analysis

We compared the most current and prior-year financial activity using Regents' Annual Fiscal Reports and/or system-generated reports and obtained explanations from Regents' management for any significant variances.

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of Regents. The nature of the recommendation, its implementation costs, and its potential impact on the operations of Regents should be considered in reaching decisions on courses of action.

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

APPENDIX A: MANAGEMENT'S RESPONSE



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June 3, 2024

Michael J. "Mike" Waguespack, CPA
Audit Manager, Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over Monies Held Outside State Treasury

Dear Mr. Waguespack

The Louisiana Universities Marine Consortium (LUMCON), a program of the Board of Regents concurs with finding of Inadequate Controls over Monies Held Outside State Treasury.

The issues raised in this audit stem from the use of a non-Treasury Regions Bank account. Within 90 days, all state revenue will be deposited directly into a Louisiana State Treasury account and LUMCON will stop using the Regions account for state deposits or expenses. Further, LUMCON and the Board of Regents have reviewed and confirmed the reconciliations and found no fraudulent activity.

The staff member responsible for implementing these corrective actions is Donna Lottinger, Chief Operating Officer at LUMCON. Corrective actions will be implemented by August 31, 2024, giving us sufficient time to communicate with our vendors and federal program administrators, who currently use the Regions accounts for ACH deposits.

We appreciate your staff's cooperation and diligence during this audit. If you have any questions or require additional information, please contact me.

Sincerely

A handwritten signature in blue ink, appearing to read "B. Roberts", is written over a horizontal line.

Brian J. Roberts
Executive Director/Chief Scientist

Louisiana Universities Marine Consortium
8124 Highway 56 | Chauvin, LA 70344 | 985-851-2800
A Program of the Louisiana Board of Regents

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Board of Regents (Regents) for the period from July 1, 2022, through June 30, 2023, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, 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 Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2023.

- We evaluated Regents' 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 Regents.
- Based on the documentation of Regents' 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 Annual Comprehensive Financial Report.
- We performed certain procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We compared the most current and prior-year financial activity using Regents' Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Regents' management for significant variances.

In addition, we performed limited procedures on the self-generated revenues and movable property for LUMCON. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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