

LOUISIANA STATE UNIVERSITY
AND RELATED CAMPUSES

LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
MAY 5, 2021

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

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



LSU and Related Campuses

May 2021

Audit Control # 80200092

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, 2020, 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 was 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 March 19, 2020. We determined that management has resolved the prior-year findings related to Noncompliance with Federal Procurement Standards and Lack of Policy Related to Administrative Allowances. The prior-year finding related to Noncompliance with and Inadequate Controls over Federal Special Tests and Provisions Requirements has not been resolved and is addressed again in this letter.

Current-year Findings

Noncompliance with and Inadequate Controls over Federal Special Tests and Provisions Requirements

Louisiana State University and A&M College (LSU A&M) and the LSU Agricultural Center (AgCenter), for the third and fourth consecutive year, respectively, did not have adequate preventative controls in place to ensure compliance with Special Tests and Provisions

requirements. Failure to implement preventative controls over key personnel requirements could result in noncompliance with Special Tests and Provisions requirements.

In a test of 80 LSU A&M Federal Research and Development (R&D) Cluster awards from a population of 601 LSU A&M awards subject to Special Tests and Provisions, LSU A&M records for two (3%) of the awards tested did not contain evidence that the key personnel requirements applicable to each award were met during fiscal year 2020. In addition, in a test of 52 AgCenter Federal R&D Cluster awards from a population of 130 AgCenter awards subject to Special Tests and Provisions, AgCenter records for two (4%) of the awards tested did not contain evidence that the key personnel requirements applicable to each award were met during fiscal year 2020.

LSU A&M and the AgCenter did not have adequate preventative controls in place to ensure that the Principal Investigator (PI) met the key personnel requirements. Federal regulations require prior approval be requested from the federal agency for any key personnel changes, when there is a disengagement from the project by the PI for more than three months or a 25% reduction in time devoted to the project by the PI. After discussions with management, it was determined that current internal controls only detected noncompliance after the fact.

LSU A&M and the AgCenter should design and implement preventative controls over key personnel requirements that ensure key personnel requirements are being followed and any required prior approvals of changes are obtained from the federal awarding agency. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Noncompliance with Gramm-Leach-Bliley Act - Student Information Security Requirements

Louisiana State University and A&M College (LSU A&M) did not have a formal documented risk assessment that clearly addressed the following areas required by the Gramm-Leach-Bliley Act standards for safeguarding student information nor did LSU have a documented program to implement safeguards to address identified risks:

- Employee training and management;
- Information systems including network and software design, as well as information processing, storage, transmission and disposal; and
- Detecting, preventing and responding to attacks, intrusions, or other systems failures.

LSU A&M provided two risk assessments, while they appeared to cover elements of the required areas, the risk assessments were not designed specific to the Gramm-Leach-Bliley Act. Furthermore, LSU A&M does have in place information security required employee training, password and access policies and procedures, security controls, and a documented disaster recovery plan to help safeguard student information. While these and other implemented safeguards at LSU address some of the identified risks in these assessments, LSU did not design

and implement safeguards for all risks and has not documented which risks these safeguards mitigate.

Failure to meet the requirements of the Gramm-Leach-Bliley Act increases the risk of unauthorized disclosure, misuse, alteration, destruction, or other compromise of student information. Management should develop, implement, and maintain information security programs that include a formal documented risk assessment specific to the Gramm-Leach-Bliley Act and implement safeguards to control the risks identified in regards to student information. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Financial Statements - Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2020, 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, and State Appropriations

Expenses – Educational and General, and Auxiliary Enterprise

The account balances and classes of transactions tested, as adjusted, were materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2020, 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

- Higher Education Emergency Relief Fund (CFDA 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.

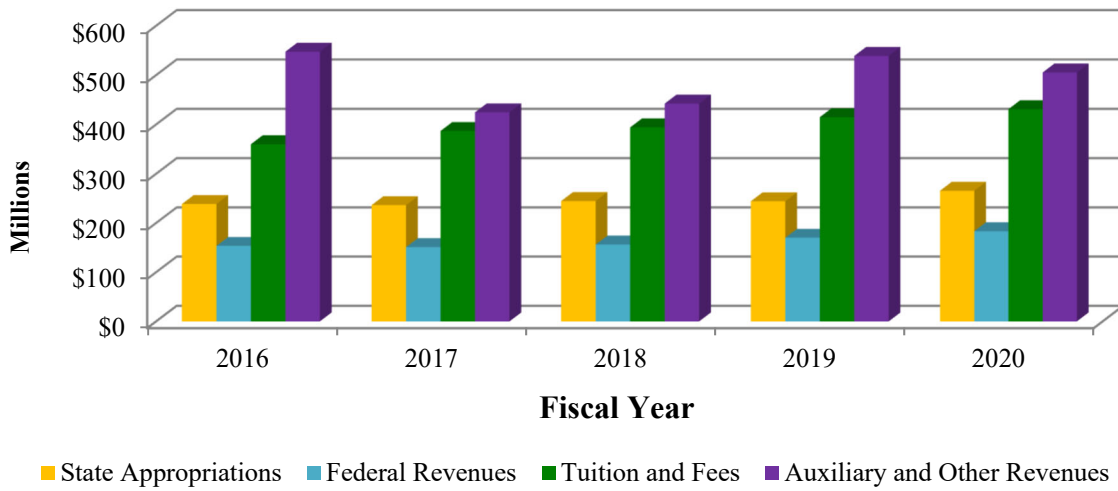
Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with and Inadequate Controls over Federal Special Tests and Provisions Requirements and Noncompliance with Gramm-Leach-Bliley Act - Student Information Security Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2020. 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, as adjusted, is materially correct.

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.

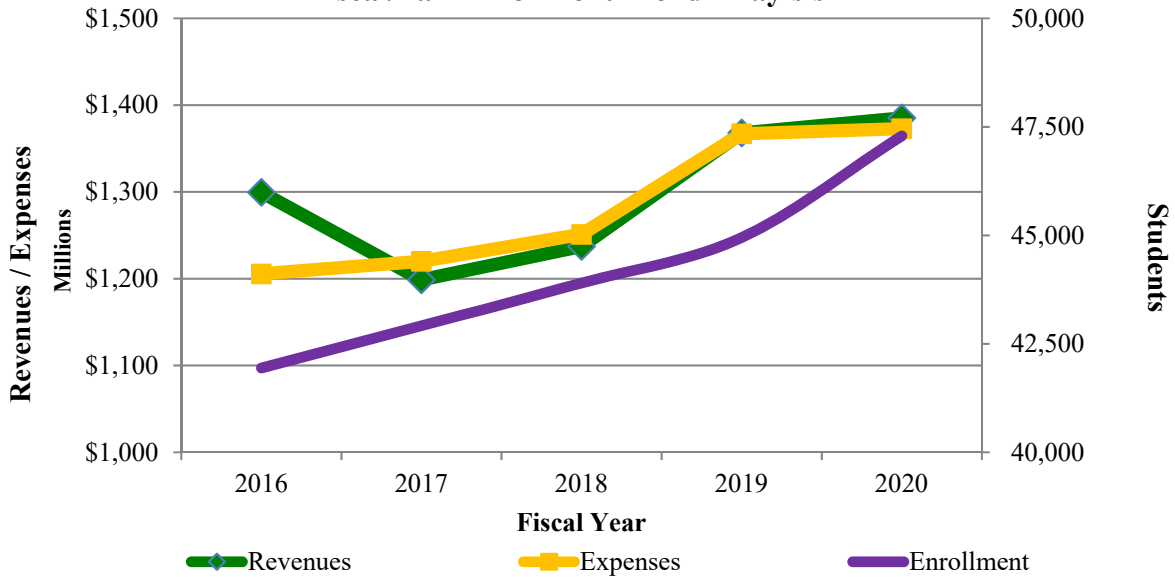
In analyzing financial trends of LSU and Related Campuses over the past five fiscal years, expenses have increased by 13.88% since fiscal year 2016, while state appropriations have increased 11.30%. During that same period, tuition and fees have increased by 19.72%, mainly because of the increases in tuition permitted by the GRAD Act and increases in enrollment. Total enrollment for LSU and Related Campuses has increased by 12.76% since fiscal year 2016.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Year 2016-2020 LSU System Audit Reports

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



Source: Fiscal Year 2016-2020 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,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

REW:JPT:BH:EFS:aa

LSUANDRELATED 2020

APPENDIX A: MANAGEMENT'S RESPONSES



Finance & Administration

March 24, 2021

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Mr. Cole,

In conjunction with the legislative audit of LSU for FY2020, we concur with the repeat finding concerning Noncompliance with and Inadequate Controls over Federal Special Tests and Provisions Requirements.

Finding:

Noncompliance with and Inadequate Controls over Federal Special Tests and Provisions Requirements

Response to Finding:

LSU will design and implement the following controls:

- Prior to accepting a new award, the respective pre-award office will send an email to key personnel who require sponsor approval to reduce effort (with copy to department contact) asking them to confirm they can meet the committed effort on the new project, as well as committed effort on existing projects, and reiterate the prior approval requirement for changes to key personnel.
- Create a report from the key personnel commitment tab that will be sent to key personnel who require sponsor approval to reduce effort, and department staff to notify them of the status of their key personnel requirements.

The corrective action plan will be implemented by June 30, 2021.

Persons Responsible:

Darya Courville, Executive Director of Office of Sponsored Programs, LSU A&M
Michelle Miller, Assistant Director of Office of Sponsored Programs, LSU Ag Center
Jaime Estave, Director of Sponsored Program Accounting, LSU A&M and LSU Ag Center
Jan Bernath, Director of Accounting Services, LSU Ag Center

Sincerely,

Donna Torres
Interim Executive Vice President for Finance and Administration/CFO



Finance & Administration

March 31, 2021

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Cole,

In conjunction with the Single Audit for FY 2020, we concur with the finding concerning Noncompliance with Gramm-Leach-Bliley Act (GLBA) – Student Information Security Requirements. As noted in the finding, LSU does have information security employee training, password and access policies and procedures, security controls, and a documented disaster recovery plan to help safeguard student information. We agree that there can be no assurances that these safeguards are sufficient without a thorough, formal risk assessment. LSU had already begun efforts towards GLBA compliance and as such, offer the below as a response to the finding:

Finding:

Noncompliance with Gramm-Leach-Bliley Act (GLBA) – Student Information Security Requirements

GLBA Compliance Efforts and Response to Finding:

- A GLBA committee representing a cross-section of departments across campus was formalized in FY 2021.
- An online GLBA training was launched on March 1, 2021 for users with access to systems which contain student data in-scope of GLBA. This training will be required on an annual basis.
- A risk assessment process specific to GLBA will be developed by June 30, 2021 which will assist LSU in conducting initial and ongoing risks assessments and will document, at minimum, identified risks, the safeguards in place to mitigate the risks and/or the proposed implementation of safeguards.

Persons Responsible:

Elahe Russell, Interim Associate Vice President for Accounting Services
Amy Marix, Director of Financial Aid & Scholarships
Sumit Jain, Director of Information Technology Security and Policy (CISO)

Sincerely,

Donna K. Torres, CPA
Interim Executive Vice President for Finance and Administration/CFO

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, 2019, through June 30, 2020, 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, were 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, 2020.

- 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 Higher Education Emergency Relief Fund (CFDA 84.425) for the year ended June 30, 2020, as a part of the 2020 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, 2020, as a part of the 2020 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.

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.