

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
JUNE 8, 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



Grambling State University

June 2022

Audit Control # 80210071

Introduction

As a part of our audit of the University of Louisiana System (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 Grambling State University (GSU) to provide assurances on financial information that is significant to the System’s financial statements; evaluate the effectiveness of GSU’s internal controls over financial reporting and compliance; and determine whether GSU complied with applicable laws and regulations. We also performed procedures for the period July 1, 2019, through June 30, 2020, to evaluate certain internal controls GSU uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

Results of Our Procedures

Current-year Findings

Inappropriate Banner System Access

GSU granted employees inappropriate access to Banner System modules, increasing the risk of errors or fraud. Our procedures disclosed the following during the two fiscal years ended June 30, 2021:

- Nine employees had the ability to edit tuition and fee rates in the student module when the access was not a part of their assigned duties. This access was removed on June 7, 2021, when instances were brought to management’s attention.
- Seven employees had the ability to create a new employee in the human resource module when the access was not their assigned duties. This access was removed on June 7, 2021, when instances were brought to management’s attention. The seven employees included the controller and the assistant controller, who also had the ability to update the mass salary table when the access was not a part of their assigned duties. Their salary table access was changed from modify to query as of July 12, 2021.

- The controller also had access to the entire procurement process to create and approve purchase orders, create invoices, receive goods, create and edit vendor data, and pay invoices in the finance module. The controller's assigned duties required her to have access to approve documents and to the create and edit vendor data to prepare annual 1099s; however, the other access is not a part of her assigned duties and was changed from modify to query as of July 12, 2021.
- A university police lieutenant approved his own time sheet for six pay periods in fiscal year ended June 30, 2020, when he was assigned as a proxy approver during his supervisor's absence. Four of these pay periods contained overtime that was properly approved by the employee's supervisor; however, management was not aware that the employee was allowed to approve his own time without an independent review until the instances were brought to its attention by auditors on July 21, 2021.

Good internal control requires GSU to monitor and restrict access to those functions necessary for its employees' job duties and ensure that no employee has the ability to make unauthorized changes to system data.

Management should strengthen its policies and procedures to ensure employee access is appropriate and monitored. Management concurred with the finding and outlined a corrective action plan (see Appendix A, pages 1-2).

Noncompliance with Borrower Data and Reconciliation Requirements

GSU management did not ensure that monthly reconciliations of the School Account Statement (SAS) data files to the institutions financial records were performed as required by federal regulations. Each month, the U.S. Department of Education's Common Origination and Disbursement (COD) system provides the institution the SAS data file, which should be reconciled to institution's financial records to ensure the institution has transmitted accurate and complete student data to the COD system for all Federal Direct Student Loan borrowers in accordance with federal regulations. For five of the 12 months (42%) of fiscal year 2021, GSU did not provide evidence to show that the institution's financial records were reconciled as required.

34 CFR 685.300(b)(5) requires that schools must, on a monthly basis, reconcile institutional records with Federal Direct Student Loan funds received and disbursement records submitted to and accepted by the U.S. Department of Education. GSU's written procedures did not include adequate details to ensure that all of the required reconciliations were performed monthly and that adequate supporting documentation was maintained. Failure to perform the monthly reconciliation's results in GSU's noncompliance with federal regulations and could result in undetected discrepancies between the institution's financial records and data in the COD system.

Management should revise its written procedures to ensure GSU properly performs and retains required monthly reconciliations and supporting documentation. Management concurred in part with the finding and outlined a corrective action plan (see Appendix A, page 3).

Inadequate Controls and Noncompliance over Return of Title IV Funds

GSU did not have adequate controls in place to ensure the return of Title IV funds was accurately calculated and returned to the U.S. Department of Education (USDOE) as required by federal regulations.

In a sample of 40 students from a population of 618 students who were evaluated for return of Title IV funds, two (5%) students had an incorrect withdrawal date used in the calculation of return of Title IV funds, resulting in \$6,533 of Federal Direct Student Loan funds and \$6,345 of Federal Pell Grant Program funds being owed back to USDOE and the students' accounts were not adjusted.

GSU did not have adequate procedures in place to ensure faculty entered the correct last date of attendance into the Banner System. Failure to accurately perform return of funds calculations and remit the proper funds to USDOE results in noncompliance with federal regulations and can result in improper billings to students and/or a loss of funds by GSU.

Management should strengthen controls to ensure that all return of funds calculations are performed accurately and in compliance with federal regulations. Management should also identify students with an incorrect withdrawal date, recalculate the return of Title IV amounts, adjust the student account, and return required funds to the USDOE. Management concurred with the finding and outlined a corrective action plan. (see Appendix A, page 4).

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

GSU did not have a formal documented risk assessment or related safeguards that address the following minimum requirements of the Gramm-Leach-Bliley Act standards for safeguarding student information:

- 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.

GSU has information technology policies and practices that require employee training, Banner system policies and procedures, a documented disaster recovery plan, and password policy. GSU provided evidence of phishing and email monitoring, employee training status, and a disaster recovery exercise, but has not performed a formal documented risk assessment including safeguards to address identified risk as required by federal regulations. As a result, there is an increased risk for unauthorized disclosure, misuse, alteration, destruction or other compromise of student information and results in noncompliance.

Management should implement and maintain information security programs that include a formal documented risk assessment of relevant areas of operation, and design and implement safeguards

to control the risks identified in regards to student information. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 5).

Financial Statements – University of Louisiana System

As a part of our audit of the System’s financial statements for the year ended June 30, 2021, we considered GSU’s 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, Due from State Treasury, and Capital Assets

Liabilities - Bonds Payable

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

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees Net of Scholarship Allowances, Net Auxiliary, State Appropriations, Federal Nonoperating, and Other Nonoperating

Expenses - Educational and General, and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we reported a finding related to Inappropriate Banner System Access, as described previously. In addition, 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 GSU’s major federal program, Student Financial Assistance Cluster.

Those tests included evaluating the effectiveness of GSU’s internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether GSU complied with applicable program requirements. In addition, we performed procedures on information submitted by GSU 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) as required by Uniform Guidance.

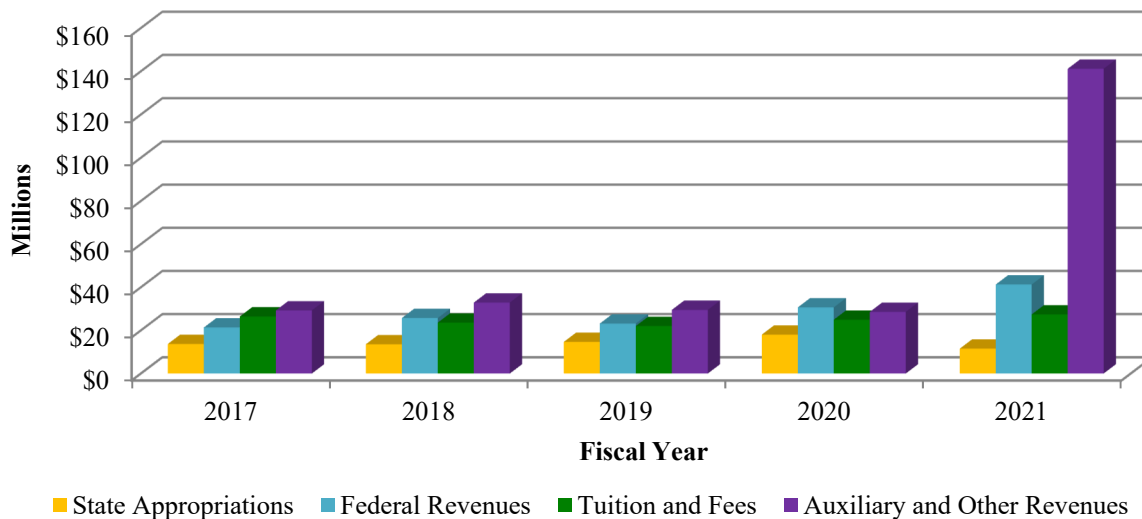
Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with Borrower Data and Reconciliation Requirements, Inadequate Controls and Noncompliance over Return of Title IV Funds, and Noncompliance with Gramm-Leach-Bliley Act Regarding Student Information Security. These findings will also be included in the Single Audit for the year ended June 30, 2021. In addition, GSU’s information submitted for the preparation of the state’s SEFA is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using GSU's Annual Fiscal Reports and/or system-generated reports and obtained explanations from GSU's 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.

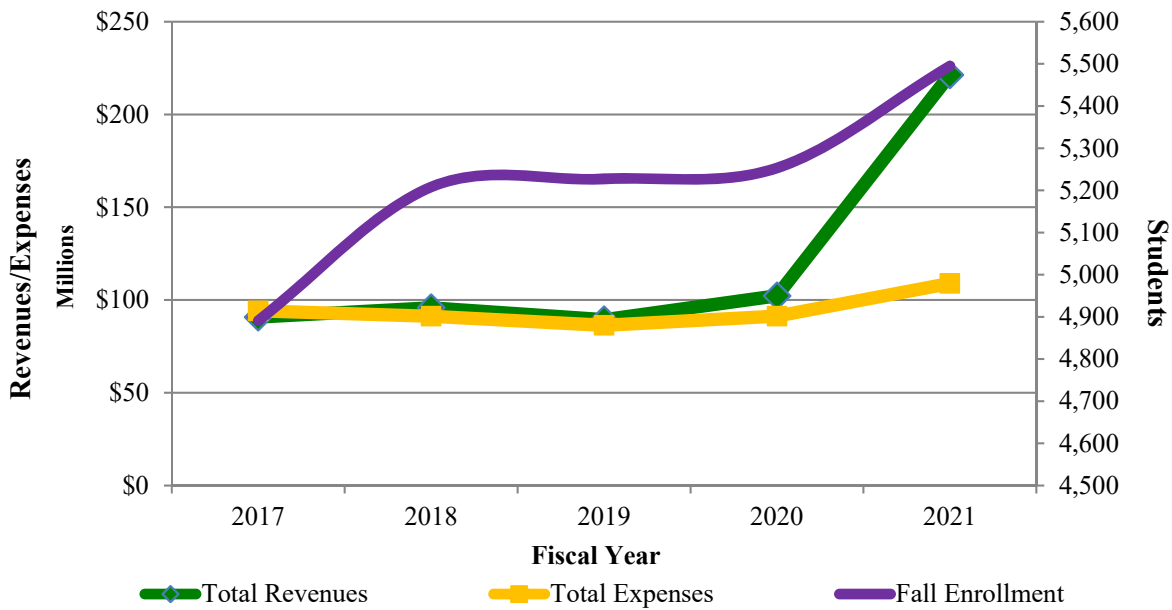
In analyzing financial trends of GSU over the past five fiscal years, revenues and expenses remained steady until fiscal year (FY) 21. In FY 21, other revenues spiked due to the USDOE's forgiveness of GSU's Series 2016 bonds payable totaling approximately \$90 million, as part of the Historical Black Colleges and Universities Loan Forgiveness Program. In addition, federal revenues increased in FY 20 and FY 21 due to Higher Education Emergency Relief Fund funds received, as a result of the novel coronavirus disease (COVID-19) pandemic, totaling \$6.2 million and \$14.5 million, respectively. Enrollment increased in FY 2018 mainly due to GSU's enhanced recruitment efforts and in FY 2021 due to a new Board of Regents' Emergency Interim Policy for Dual Enrollment, Placement and Admissions Criteria effective in Summer and Fall 2020 in response to the COVID-19 pandemic.

Exhibit 1
Five-Year Revenue Trend



Source: Fiscal Year 2017-2021 University of Louisiana System Reports

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Year 2017-2021 GSU Annual Fiscal Reports, as adjusted, and Board of Regents data for enrollment

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of GSU. The nature of the recommendations, their implementation costs, and their potential impact on the operations of GSU should be considered in reaching decisions on courses of action. The findings related to GSU’s 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

KVL:BAC:BH:EFS:ch

GSU2021

APPENDIX A: MANAGEMENT'S RESPONSES



October 13, 2021

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Inappropriate Banner System Access

Dear Mr. Waguespack:

Grambling State University is committed to proactively identifying areas of improvement, taking the necessary actions to implement corrections, maintaining good internal controls and monitoring progress.

Grambling State University concurs that Management should strengthen its policies and procedures to ensure employee access is appropriate and monitored.

The University's corrective action plan to strengthen internal controls are:

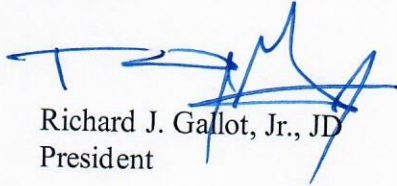
- The Finance Security Administrator will perform a review on security access to ensure employees are assigned the appropriate access and that security classes include the appropriate forms for individual assigned duties. The review will be completed by December 31, 2021, and subsequent reviews will continue quarterly.
- The Payroll Office will run and review the Self-Approved Timesheets Report as a part of the payroll preparation process to ensure employees do not approve their timesheets. If an employee approves his/her timesheet, the timesheet will be returned to the supervisor for approval. In addition, the Payroll Office will perform a review on all proxy approvers to ensure appropriate proxy access is assigned by December 31, 2021.

Mrs. Rachel Neal, Controller will be responsible for the corrective action plan noted above and Ms. Sheilah Faucette, Interim Vice President for Finance will be responsible for the oversight.

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Thank you for your continued support of Grambling State University. We appreciate our great working relationship with you and your colleagues at LLA over the years. If you have questions, please call me or my primary point of contact, Ms. Sheilah Faucette, Interim Vice President for Finance, at 318-274-6401.

Sincerely,



Richard J. Gallot, Jr., JD
President



April 22, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 4397
Baton Rouge, Louisiana 70804-9397

Re: Official Response - Noncompliance with Borrower Data and Reconciliation Requirements

Dear Mr. Waguespack:

Grambling State University, (GSU) is committed to proactively identifying areas of improvement and taking the necessary actions to implement corrections.

We concur in part with the finding of management's performance regarding monthly reconciliations of the School Account Statement (SAS) data files to the institutions' financial records as required by federal regulations. GSU's written procedures regarding monthly reconciliations and evidence of supporting documentation will be reviewed for implementation on or before July 30, 2022 under the direction of Mr. Raymond Abraham, Controller along with Dr. Alan Jackson, Director of Financial Aid and Scholarships. GSU has already implemented procedures to scan and store supporting documentation to prevent undetected discrepancies between the institution's financial records and data in the COD system.

We appreciate our ongoing working relationship with you and your colleagues at LLA. Likewise, we also appreciate the courtesies extended by your staff as we encountered some challenges in upgrading our technology infrastructure in the last few weeks. As always, please contact me directly if I can be of assistance in any way.

Sincerely,

Penny M. Moses, JD., LL.M.
Chief Operating Officer and Interim Vice President of Finance

cc: Richard J. Gallot, Jr., President
Connie Walton, Ph.D., Provost/Vice President Academic Affairs
Alan D. Jackson, Ph.D., Director of Financial Aid and Scholarships
Raymond Abraham, Controller

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May 31, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 4397
Baton Rouge, Louisiana 70804-9397

Re: Official Response – Inadequate Controls and Noncompliance over Return of Title IV Funds

Dear Mr. Waguespack:

Grambling State University, (GSU) is committed to proactively identifying areas of improvement and taking the necessary actions to implement corrections.

We concur with the finding. GSU will update its written procedures to cross-reference the dates entered by faculty in the Banner Web System to assure accuracy with the last date of student attendance in comparison with final grades. Updated written procedures will be coordinated by Dr. Gavin Hamms and reviewed by Controller, Mr. Raymond Abraham for implementation on or before August 2, 2022.

We appreciate our great working relationship with you and your colleagues at LLA and look forward to continued professional courtesies as we strive for excellence.

Sincerely,

Penya M. Moses, JD., LL.M.
Chief Operating Officer and Interim Vice President of Finance

cc: Richard J. Gallot, Jr., President
Connie Walton, Ph.D., Provost/Vice President Academic Affairs
Gavin Hamms, Ph.D., Associate Vice President of Enrollment Management
Raymond Abraham, Controller

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February 23, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 4397
Baton Rouge, Louisiana 70804-9397

Re: Official Response - Noncompliance with Gramm-Leach Bliley Act Regarding Student Information Security

Dear Mr. Waguespack:

Grambling State University (GSU) is committed to proactively identifying areas of improvement and taking the necessary actions to implement corrections.

We concur with the finding to perform a formal documented risk assessment that includes safeguards to address identified risk as required by federal regulations. Going forward, a more formalized, comprehensive process will be implemented to minimize risk for unauthorized disclosure, misuse, alteration, destruction or other compromise of student information. Enhanced information security programs that include a formal documented risk assessment of relevant areas of operation and design will be coordinated to control the risk identified in regards to student information. To that end, GSU in collaboration with the U.S. Department of Homeland Security, Cybersecurity & Infrastructure Security Agency has started initial risk assessments with an anticipated completion date of July 30, 2022.

Thank you for your continued support of GSU. We appreciate our great working relationship with you and your colleagues at LLA over the years. If you have questions, please call me or my primary point of contact, Penya M. Moses, JD, LL.M., Chief Operating Officer, at 318-274-2145 or email her at mosesp@gram.edu.

Sincerely,

Richard J. Gallot, Jr., JD
President

cc: Connie Walton, Ph.D., Provost/Vice President Academic Affairs
Penya M. Moses, JD., LL.M., Chief Operating Officer

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Grambling State University (GSU) for the period from July 1, 2020 through June 30, 2021, to provide assurances on financial information significant to the University of Louisiana 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.

In addition, we conducted certain procedures at GSU for the period from July 1, 2019, through June 30, 2020. Our objective was to evaluate certain controls GSU 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.

- We evaluated GSU's 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 GSU.
- Based on the documentation of GSU's 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 Student Financial Assistance Cluster 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 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 GSU's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from GSU's management for significant variances.

The purpose of this report is solely to describe the scope of our work at GSU, and not to provide an opinion on the effectiveness of GSU's 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 GSU's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. GSU's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.