Louisiana State University
and Related Campuses
Louisiana State University System
State of Louisiana

Financial Audit Services
Management Letter
Issued March 13, 2019

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

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NICOLE B. EDMONSON, CIA, CGAP, MPA

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

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Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE

LSU and Related Campuses

March 2019

Audit Control # 80180090

Introduction

As a part of our audit of the Louisiana State University System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2018, we performed procedures at 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 management letter dated February 28, 2018. We determined that management has resolved the prior-year findings related to Noncompliance with Federal Equipment Management Regulations at LSU A&M and the LSU Agricultural Center, Inadequate Controls and Noncompliance over Return of Title IV Funds Requirement, and Weaknesses in Controls over Borrower Data Reconciliation Requirements. The prior-year findings related to Inadequate Controls over Federal Special Tests and Provisions Requirements, Weaknesses in Controls over Federal Reporting Requirements at the LSU Agricultural Center and the Pennington Biomedical Research Center, Noncompliance with Federal Equipment Management Regulations at the Pennington Biomedical Research Center, and Weaknesses in Controls over Federal Research and Development Expenses have not been resolved and are addressed again in this letter.

Current-year Findings

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

The LSU Agricultural Center (AgCenter), for the second consecutive year, and Louisiana State University A&M (LSU) did not ensure compliance with Special Tests and Provisions requirements. Failure to set prescribed controls over key personnel requirements could result in noncompliance with Special Tests and Provisions requirements.

In a test of four AgCenter federal Research and Development (R&D) Cluster awards subject to Special Tests and Provisions, AgCenter records for three (75%) of the awards tested did not contain evidence that the key personnel requirements applicable to each award were met during fiscal year 2018. In a test of six LSU R&D Cluster awards subject to Special Tests and Provisions, LSU records for three (50%) of the awards tested did not contain evidence that the key personnel requirements applicable to each award were met during fiscal year 2018.

Federal regulations state that for federal awards, recipients must request prior approvals from federal awarding agencies for changes in the scope of the project or program; changes in a key personnel associated with the award; disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project by the approved project director or principal investigator. LSU and the AgCenter did not have adequate controls in place to determine if they adhered to key personnel requirements and obtained any required federal awarding agency approval for changes.

LSU and the AgCenter should design and implement controls to determine if they follow key personnel requirements and ensure they obtain any required federal awarding agency approval for changes. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Noncompliance and Weaknesses in Controls over Federal Reporting Requirements at the LSU Agricultural Center and the Pennington Biomedical Research Center

For the third consecutive fiscal year, the AgCenter did not have adequate controls in place to ensure that financial reports are accurate prior to being submitted to the federal agency for its federal appropriations awards. In addition, the Pennington Biomedical Research Center (PBRC) did not maintain supporting documentation for its financial reports or evidence of its review of the financial reports. This is the second consecutive fiscal year for PBRC to have a finding related to reporting.

Although the AgCenter implemented a new control to ensure the financial reports are accurate prior to being submitted to the federal agency for its federal appropriations awards, the control failed to detect and prevent an error on the Federal Standard Form 425 (SF425) that was submitted for all federal appropriation awards to the federal agency during fiscal year 2018. In a test of 34 AgCenter federal R&D Cluster awards with reporting requirements during fiscal year 2018, two (6%) of the awards were reported on an inaccurate SF425.

For four (33%) awards with reporting requirements tested in a sample of 12 PBRC R&D Cluster awards, PBRC could not provide supporting documentation to verify the accuracy of the information being submitted to the federal agency for reimbursement or that a review for accuracy was performed.

Federal regulations require that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award. This includes ensuring transactions are properly accounted for in order to permit the preparation of reliable federal reports. Failure to set prescribed controls over financial reporting could result in the financial information being reported inaccurately and place the AgCenter and PBRC in noncompliance with federal regulations.

The AgCenter and PBRC should design and implement controls to ensure all information contained in the financial reports submitted to federal agencies is accurate. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Noncompliance with Federal Equipment Management Regulations at the Pennington Biomedical Research Center

For the second consecutive year, PBRC did not comply with federal equipment management regulations. In a sample of 37 items provided by management as being purchased with federal Research and Development funds for PBRC, two (5.4%) items selected either could not be located or could not be properly identified due to lack of an identification number.

At the time of our procedures, one of the items included in the equipment records could not be located. The other item presented by PBRC did not have an identification number fixed to the equipment item that was included in the equipment records. Therefore, the equipment item presented could not be confirmed as the equipment item being tested.

Federal regulations require that equipment records include the identification number, location, condition, source, and award number for each equipment item. PBRC did not have adequate controls in place to ensure that accurate information was maintained in the university’s property management system, that equipment was properly safeguarded against loss, and that assets were tagged with their identification numbers. Therefore, PBRC was not in compliance with federal equipment management regulations. Failure to comply with federal management regulations increases the risk that assets may be misrepresented, lost, or stolen.

Management should implement internal controls to ensure that accurate information is maintained in the university’s property management system, that equipment is properly safeguarded, and that equipment is properly tagged with its identification number. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

Weakness in Controls over Federal Research & Development Cluster Expenses at the LSU AgCenter

For the second consecutive year, the AgCenter did not have adequate controls in place to ensure compliance with federal Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance requirements. The AgCenter implemented an internal control to monitor expenses charged to non-appropriations to ensure it was in compliance with federal requirements prior to requesting reimbursement from the federal agency. However, audit procedures identified two instances (7%) from a sample of 29 items tested in which the control was either not performed or failed to prevent an unallowable cost from being requested from the federal agency.

The Sponsored Program Accounting analyst did not perform the control as designed by the AgCenter to monitor that the expenses charged to non-appropriation federal awards were in compliance with applicable requirements prior to requesting reimbursement from the federal agency. Failure to follow prescribed controls over the monitoring of all expenses charged to federal awards increases the risk that unallowable costs could be reimbursed by the federal agency.

The AgCenter should follow its prescribed controls as designed over expenses charged to federal awards to ensure it is in compliance with federal requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 6).

Failure to Fulfill Employment Obligations

Louisiana State University and Related Campuses (LSU) disclosed that a nine-month faculty member at the LSU School of Veterinary Medicine had not satisfactorily fulfilled his employment obligations to LSU during the period of August 2015 to September 2018. Based on interviews conducted, documents reviewed, and observations performed by the LSU Office of Internal Audit, the following facts were established:

- The faculty member knowingly received 38 months of LSU salary and benefits without performing commensurate work. As a result, it appears the faculty member may have been improperly compensated more than $400,000 in salary and related benefits.

- Management at the School of Veterinary Medicine did not take sufficient action to address the faculty member's lack of performance.

According to the LSU Office of Internal Audit, the faculty member acknowledged that he did not deserve to be paid for the approximate period of July 2016 thru August 2018, which is when the faculty member believes that he last worked on any research or provided any services to fulfill his duties. When asked to provide documentation to demonstrate fulfilling his duties to LSU since he submitted the last grant proposal in February 2015, the faculty member was unable to provide any documentation.

According to the LSU Office of Internal Audit, annual performance reviews for 2015 and 2016, which were both completed in November 2017, and the performance review for 2017, completed in June 2018, all noted an overall performance of "Unsatisfactory" and recommended "change/remove of graduate faculty status" for the faculty member. Management indicated that after the faculty member had been denied a promotion in the Fall of 2014, his performance declined and resulted in "Unsatisfactory" performance reviews. Prior to those, all reviews indicated a "Satisfactory" performance. The faculty member was directed through written correspondence to appear at the school for the Fall 2018 semester and perform required duties, but as of September 29, 2018, the faculty member had substantially failed to do so. LLA auditors verified that the faculty member is still employed with LSU as of January 24, 2019.

The LSU Office of Internal Audit recommended that management take appropriate action regarding the faculty member's failure to meet his obligations as well as the School of Veterinary Medicine management's inadequate response, and consider taking action to pursue recovery of compensation paid to the faculty member during the period of August 2015 to September 2018. Management should also consider implementing a policy regarding abandonment of position for faculty members in order to establish a process of documenting and dealing with employees who have abandoned their positions and are no longer performing their employment obligations. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 7- 8).

Internal Audit Findings at University Laboratory School

The LSU Office of Internal Audit issued an audit report dated September 28, 2018, on the University Laboratory School (ULS) and disclosed multiple findings related to ULS. The findings included the following:

- Louisiana State University (University) funds were inappropriately deposited into agency accounts. According to LSU A&M Finance and Administration Operating Procedures AS-27, agency accounts are "maintained for organizations which make use of University services but are not sponsored by, or closely associated with, the University mission." The expenditures of funds from agency accounts are not controlled by University policies or state laws regarding expenditure of public funds. Funds should be considered University funds and deposited into University accounts if they are generated by official ULS activities/functions consistent with ULS' role, scope, and mission; generated through the use of ULS/state resources; or represent mandatory fees.

  A review of deposit activity in ULS agency accounts between July 1, 2016, and March 31, 2018, reflects deposits made of approximately $670,901 that appear to be funds derived from University activities by ULS and, therefore, owned by the University. The University funds were commingled with non-University funds when deposited into these agency accounts. Of 35 expenditures sampled from the commingled agency accounts, 22 (63%) were for items/services totaling $14,886 that would not typically be allowed by University policy such as employee gifts, including Apple watches and gift cards, Director's Award scholarships, and non-employee/spouse travel.

- Actions were taken by ULS employees to circumvent University policy. The two ULS principals took actions which, if fully realized, would have resulted in the redirection of ULS student payments for aftercare from ULS to a private company, Cub Care, LLC, that the two principals were to jointly own. These actions were prompted by a dispute with the University management regarding the University's disapproval of proposed additional compensation for administrative activities performed by the principals related to the ULS aftercare program operated during the 2016-2017 academic year.

  Prior to the start of the aftercare program for the 2016-2017 academic year, the two principals received salary increases effective July 2016 related to after-hour duties required to maintain the school's extracurricular and curriculum-related activities totaling $16,269 for the Secondary Principal and $22,173 for the Elementary Principal. In October 2016, after the program had been running for two months, ULS administration submitted requests to pay additional compensation related to the program, which included $1,500 a month for 10 months to the principals. However, LSU Human Resource Management (HRM) disapproved the additional compensation requested for the principals because the additional duties described in the request were already an expectation of their job duties.

  Discussion regarding increases to the two principals' pay continued among ULS and the University until August 2017 when an increase of $15,000 to each Principal's annual base salary was approved with an effective date of July 1, 2017. HRM determined that no retroactive payment for the first year of the aftercare program was allowable. However, the principals continue to maintain that they are owed $15,000 each for the first year of the program.

  Subsequent to HRM's disapproval of the ULS principals' additional compensation payments for the 2016-2017 academic year on October 26, 2016, and continuing until September 1, 2017, the principals took actions that appear to represent an attempt to circumvent University management's disapproval and University policy. The principals initiated the establishment of a private business, Cub Care, LLC, which they intended would own and operate the aftercare program at ULS and to which student payments would be redirected beginning in the 2017-2018 academic year. The principals took the following actions related to Cub Care, LLC:

  - Reserved the business name "Cub Care, LLC" with the Louisiana Secretary of State's Office

  - Obtained an Employer Identification Number from the IRS in the name of "Cub Care, LLC"

  - With the assistance of the Superintendent's Office, drafted and distributed to parents of students instructions on registering for aftercare with Cub Care, LLC, along with a Cub Care, LLC contract directing payment to

"Cub Care, LLC" and authorizing Cub Care, LLC to charge participant credit cards for the duration of the 10-month contract period

- Withheld participant payments from deposit into a University account to ensure that they (the principals) would get paid

- The Secondary Principal invoiced ULS for "services" he provided as though he were a vendor. As noted, the University had previously disapproved additional compensation for the "services" included on the invoice.

Upon becoming aware on September 1, 2017, that the principals were withholding from deposit aftercare collections for August and September pending the resolution of the compensation matter, the College of Human Sciences & Education Assistant Dean directed that the principals provide all program documentation and process all aftercare program funds into the proper University account.

- Records maintained by ULS related to aftercare program operations were incomplete, including documentation of all program participants and payments received. Additionally, spreadsheets used to track participant payments (received or outstanding) contained errors and, therefore, the accuracy could not be relied upon. As a result, the LSU Office of Internal Audit was unable to verify whether all students were reflected, payments were received in full, and funds were deposited into the appropriate accounts.

- ULS resources, which included staff, computers, facilities, and supplies, were utilized by the Secondary Principal to provide correspondence testing services to ULS high school students on behalf of Louisiana High School Correspondence Course (LHSCC), LLC, a limited liability corporation owned by the ULS Secondary Principal's spouse.

  The arrangement creates an appearance of, if not an actual, conflict of interest for the Secondary Principal. Neither the Superintendent nor the Secondary Principal was aware of any contracts or agreements in place authorizing LHSCC to operate at ULS, and no such documents were identified. Additionally, no forms for reporting outside employment as required by LSU Permanent Memorandum 11 (PM-11) were on file for any ULS employees paid by LHSCC.

- The Secondary Principal received rewards, including complimentary travel and accommodations, for himself and one guest for directing ULS student travel through a specific travel agency. The Secondary Principal received free travel rewards for booking groups greater than 75 students for an annual trip made by ULS students to Washington, D.C., through the travel agency. The Secondary Principal met this limit and received complimentary travel and accommodations at an all-inclusive resort for himself and one guest for five of the past six years.

The acceptance of complimentary travel under these circumstances creates at least an appearance of, if not an actual, conflict of interest.

- Existing ULS policies and related controls do not provide assurance that key documents related to the operation of ULS summer camps are obtained and sufficiently maintained. Documentation could not be provided to determine that training for Mandatory Abuse Reporting had been completed in 15 of 39 instances. There were no written agreements regarding payment of personnel for any of the summer camps reviewed. Also, none of the 10 coaches conducting private athletic camps submitted forms disclosing such outside employment as required by PM-11. Finally, a potential conflict of interest could occur in certain circumstances where students paying coaches and other ULS employees directly to participate in private athletic/academic camps could also be current or former players and/or students of the coach/teacher directing the camp(s).

The LSU Office of Internal Audit recommendations included but were not limited to the following: (1) Management should deposit all funds derived from ULS-related activities into the appropriate University account. (2) Any University funds currently maintained in agency accounts should be transferred into a University account. (3) Management should take appropriate actions regarding employees' attempts to circumvent University policy and any actual or apparent conflicts of interest. (4) Management should ensure employees are aware of, and comply with, all University policies including required reporting and approval of outside employment. (5) Management should also review its practices and, where applicable, make the necessary changes to ensure proper administration of University revenues generated by the aftercare program. (6) Management should ensure compliance with applicable policies and regulations regarding proper administration of summer camps. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 9-12).

Financial Statements – Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2018, 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, 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, State and Local Grants and Contracts, Auxiliary Enterprise Revenue, and State Appropriations
Expenses – Educational and General, and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations. 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, 2018, 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' federal programs, as follows:

- Research and Development Cluster
- Highway Safety 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 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 and 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.

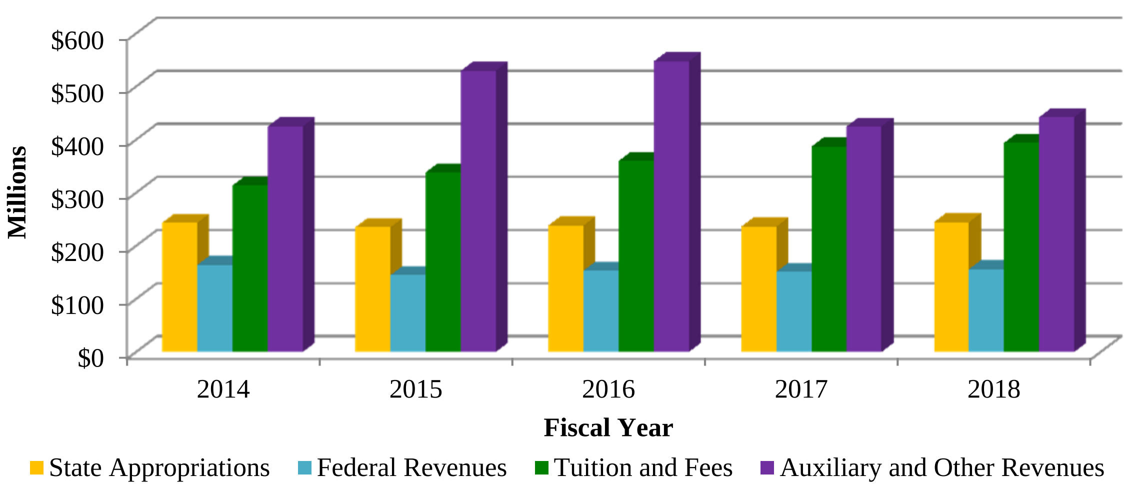
Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with and Inadequate Controls over Federal Special Tests and Provisions Requirements, Noncompliance and Weaknesses in Controls over Federal Reporting Requirements at the LSU Agricultural Center and the Pennington Biomedical Research Center, Noncompliance with Federal Equipment Management Regulations at the Pennington Biomedical Research Center, and Weakness in Controls over Federal Research & Development Cluster Expenses at the LSU AgCenter. These findings will also be included in the Single Audit for the year ended June 30, 2018. In addition, 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.

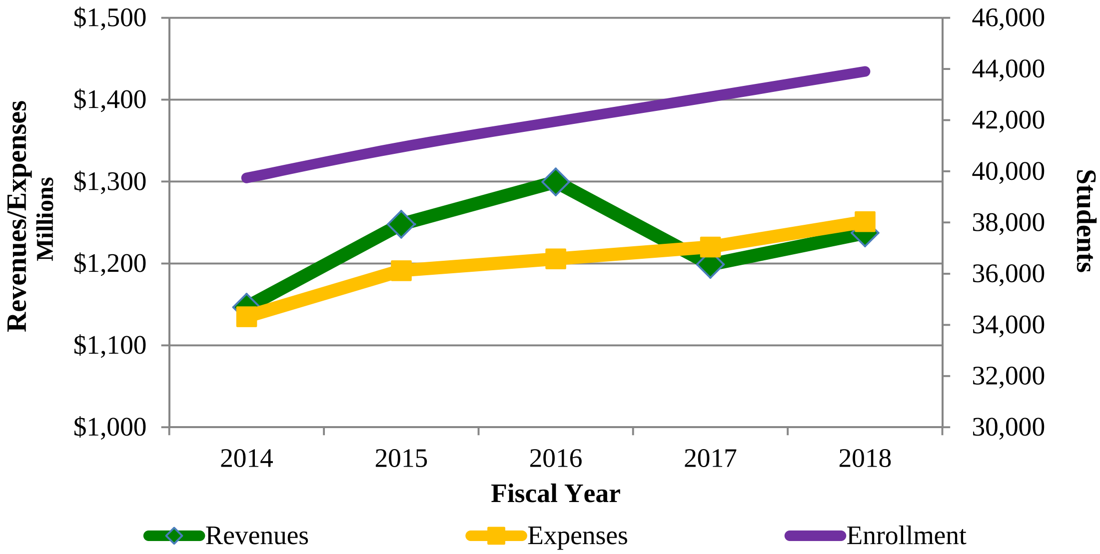
In analyzing financial trends of LSU over the past five fiscal years, expenses have increased by 10.2% since 2014, while State appropriations have remained fairly consistent, increasing by 0.39%. Over that same period, tuition and fees have increased by 25.6%, mainly because of the increases in tuition permitted by the GRAD Act (Act 741 of the 2010 Regular Session of the Louisiana Legislature). Total enrollment for LSU and Related Campuses has increased by 10.5% since 2014.

Exhibit 1
Five-Year Revenue Trend



Source: Fiscal Year 2014-2018 LSU System Audit Reports

Exhibit 2
Fiscal/Fall Enrollment Trend Analysis



Source: Fiscal year 2014-2018 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,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

REW:JPT:BH:EFS:aa

LSU AND RELATED 2018

APPENDIX A: MANAGEMENT'S RESPONSES

LSU

Finance & Administration

January 2, 2019

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, Sponsored Program Accounting (SPA) wishes to respond to the audit finding concerning noncompliance with Office of Management and Budget (OMB) 2 CFR Part 200 Compliance Supplement, Part 5 Key Personnel requirement which is identified as a special term and condition applicable to the R&D Cluster. We concur with the finding addressed in the letter dated December 11, 2018. As requested in the letter, the following responses are issued for the finding:

Finding:
Noncompliance with and Inadequate Controls over Federal Special Test and Provisions Requirements

Response to Finding:
During FY 18, LSU A&M and the AgCenter implemented additional training to SPA staff on the current policies and procedures of key personnel. Analysts are now monitoring key personnel by program year rather than by award period. After further review, it has been determined the following additional controls will need to be implemented:

- Standardize email communication to all PIs and Departmental Staff.
- Billing Analysts will escalate email communication to upper management if a response is not received.
- For PIs who have past due progress reports, Office of Sponsored Programs (OSP) will communicate with them the possibility of disengagement. This is only for progress reports that must be submitted by OSP.
- Update the FASOP AS-30 Effort Certification Policy to include a key personnel section.
- We will explore the possibility of updating our quarterly effort certifications to include an engagement certification section.
- Currently Sponsored Program Accounting analysts are monitoring key personnel manually. We are exploring workday functionally in an effort to create reports that aid in monitoring key personnel. Testing functionality, creating and testing reports, and updating Workday with key

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personnel information will require a significant amount of time and effort. We expect this to take several months to implement.

The above corrective actions are expected to be fully implemented and corrected by June 30, 2020.

Persons Responsible:

Jaime Estave, Director of Sponsored Program Accounting
Jan Bernath, Director of Accounting Services, LSU Ag Center

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

Daniel T. Layzell
Executive Vice President for Finance and Administration/CFO

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January 3, 2019

Daryl G. Purpera, CPA, CFE
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1600 North Third Street
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Dear Mr. Purpera:

Re: Noncompliance and Weaknesses in Controls over Federal Reporting Requirements at the LSU Agricultural Center and Pennington Biomedical Research

LSU Agricultural Center Response

The AgCenter concurs with this finding. To fully correct this weakness, all documents to include the federal financial report and supporting spreadsheets will be submitted for review and approval will be documented in writing. The process will involve review of the final financial report, which shows funds fully expended and review of the annual financial report which shows the carryover amount.

Persons Responsible:
Marcy Fisher, Business, Fiscal and Foundation Officer, LSU Agricultural Center
Danielle de Tarnowsky, Business and Fiscal Officer, LSU Agricultural Center
Lori Parker, Business and Fiscal Officer, LSU Agricultural Center

Pennington Biomedical Research Center (PBRC) Response

Pennington concurs with the finding regarding the noncompliance and weaknesses in Controls over Federal Reporting Requirements.

Pennington Biomedical had been using the Budget Period instead of the Accounting Period for invoicing since the conversion to Workday in July of 2016. We have been able to trace all items invoiced in the current Billing Period invoice by tracing the source documents back from the invoice. Absent the appropriate invoicing documentation attached to each invoice, it was difficult to trace the invoiced amount back to the financial statements for any one Accounting Period. Once this was brought to our attention by LLA, we began providing the backup information to every invoice issued by Budget date. After further review, we changed our procedures to invoice using Accounting Period beginning with the Accounting Period 11/1/2018 – 11/30/2018 commencing in December 2018. The only time Budget Period will be used will be to capture expenditures outside of the accounting period and within the grant budget period when an award or grant is coming to an end. We will attach the appropriate backup to this final invoice so that reconciliation to the financial records can be achieved easily. Our SOP has been updated to reflect the change in procedure.

Persons Responsible:

Director of Fiscal Operations, Pennington Biomedical Research Center
Associate Director of Fiscal Operations, Pennington Biomedical Research Center

Sincerely,

Daniel T. Layzell
Executive Vice President for Finance and Administration/CFO

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January 3, 2019

Daryl G. Purpera, CPA, CFE
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Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Re: Noncompliance with Federal Equipment Management Regulations at the Pennington Biomedical Research Center

Pennington Biomedical Research Center (PBRC) concurs with the finding regarding the noncompliance with Federal Equipment Management Regulations.

PBRC implemented new tagging procedures for Fiscal Year 2017-2018 after the finding found in FY 2017. For older equipment, we are systematically reviewing similar items, and expect this review to be finalized by 6/30/2019.

The unlocated item should have been in suspense since 2010 after an LPAA audit but was inadvertently left as active. It has since been moved to suspense and reported as such with our latest inventory certification as a year 1 suspense item.

Persons Responsible:

Director of Fiscal Operations, Pennington Biomedical Research Center
Associate Director of Fiscal Operations, Pennington Biomedical Research Center

Sincerely,

Daniel T. Layzell

Daniel T. Layzell
Executive Vice President for Finance and Administration/CFO

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January 2, 2019

Daryl G. Purpera, CPA, CFE
Legislative Auditor
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Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, Sponsored Program Accounting (SPA) wishes to respond to the audit finding concerning weakness in controls over Federal R&D expenses. We concur with the finding addressed in the letter dated December 11, 2018. As requested in the letter, the following are issued for the finding:

Finding:
Weaknesses in Controls over Federal R&D Cluster Expenses at the LSU AgCenter

Response to Finding:
During FY 18, LSU and LSU Ag Center implemented additional training to SPA staff on the current policies and procedures of billing federal expenses. Analysts have resumed monthly auditing of expenses within the period they are drawn down. However, after further review, there was a small sample of awards that were lacking evidence of the monthly review. Therefore, SPA is working on standardized ledgers that will be printed monthly. This corrective action is expected to be fully implemented by June 30, 2019.

Persons Responsible:
Jaime Estave, Director of Sponsored Program Accounting
Jan Bernath, Director of Accounting Services, LSU Ag Center

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

Daniel T. Layzell
Executive Vice President for Finance and Administration/CFO

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School of Veterinary Medicine
Office of the Dean

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
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March 7, 2019

Dear Mr. Purpera,

In conjunction with the legislative audit of LSU, we wish to respond to the audit findings in the letter concerning the Failure to Fulfill Employment Obligations at LSU Veterinary Medicine. As requested in the letter dated February 12, 2019, the following responses are issued for the findings:

Audit Findings: Faculty Member Knowingly Received Compensation without Performing Commensurate Work and Management at the School of Veterinary Medicine did not take Sufficient Action to Address the Faculty Member's Lack of Performance.

We agree with the finding that the faculty member knowingly failed to perform his duties for LSU for a significant period of time. Actually calculating the duration of the improper conduct is complicated by the faculty member's status as research-only faculty. The faculty member has readily admitted that he stopped working for LSU for 2017 and 2018. The Office of Internal Audit concluded that the faculty member did not work for part of 2015 and all of 2016 also because he failed to corroborate his activities. While it is clear that the faculty member received pay despite the fact that he was not working, it cannot be ascertained easily whether the faculty member was working from home, except from his own reporting.

The following corrective actions have or will be taken:

- In November 2018, the faculty member's supervisor was removed as chair of the Department of Pathobiological Sciences and was replaced by an interim chair.
- A review is underway to determine if there are any other research-only positions, whether those positions should be modified to include duties other than research, and what controls are in place to ensure oversight and performance of faculty in those roles. The goal is a policy to ensure that all faculty have the responsibility to teach graduate students or veterinary students in existing courses or new courses within the graduate or veterinary professional curriculum, and to attend certain events (such as department or school faculty meetings) necessary to become an effective faculty member within a department. This will ensure regular reporting of all faculty to the school as teaching must be done on site. It also fosters accountability as teaching effectiveness is evaluated by students. Anticipated completion date: June 30, 2019.
- LSU has initiated disciplinary action against the faculty member under its Policy Statement 104. Anticipated completion date: September 30, 2019.

- LSU will investigate any avenues for recovery of amounts improperly received by the faculty member. Anticipated completion date: September 30, 2019.

The person responsible for these action items is Dr. Joel Baines in consultation with LSU Human Resources Management.

If there are any questions, please let me know.

Sincerely,

Joel D. Baines, VMD, PhD
Dean, School of Veterinary Medicine
Dr. Kenneth F. Burns Chair in Veterinary Medicine

cc: Provost Haynie
Dan Layzell
Donna Torres
Chad Brackin
Trey Jones
Gaston Reinoso

LSU

College of Human Sciences & Education
Dean's Office

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
PO Box 94397
Baton Rouge, Louisiana 70804-9397

February 19, 2019

Dear Mr. Purpera,

In conjunction with the legislative audit of LSU, we wish to respond to the audit findings concerning the Internal Audit Findings at University Laboratory School (ULS). As requested in the letter dated February 12, 2019, the following responses are issued for each finding:

Audit Finding: Actions Taken By ULS Employees to Circumvent University Policy

Management concurs with the audit finding and recommendation. ULS has taken personnel actions with respect to the Secondary Principal and Elementary Principal with the assistance of LSU Human Resource Management. These outcomes are in process and will be completed no later than June 30, 2019. The person responsible will be Dr. Roland Mitchell, Interim Dean of the College of Human Sciences and Education, with the assistance of LSU Human Resource Management.

Audit Finding: Participation by ULS Secondary Principal in Activities Involving His Spouse's Business

Management concurs with the audit finding and recommendation. ULS will seek to analyze and remedy any actual or perceived conflicts of interest in consultation with LSU General Counsel. ULS will disallow the commencement of any new activity or involvement between ULS and with Louisiana High School Correspondence Course (LHSCC), LLC, allowing currently-enrolled students to complete coursework. As this coursework is completed, ULS will confirm accordance with University policies and procedures, including but not limited to the following:

- Participation by the ULS Secondary Principal and any employee in his reporting line will be strictly prohibited
- Any ULS employee paid by LHSCC will be required to maintain an LSU PM-11 on file for the specified activities.

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The corrective actions indicated in this response will be completed no later than, June 30, 2019. The person responsible will be Amy Westbrook, ULS Interim Superintendent, under the oversight of the College of Human Sciences and Education.

Audit Finding: Complimentary Travel Accepted by ULS Secondary Principal

Management concurs with the audit finding and recommendation. ULS will seek to remedy any actual or perceived conflicts of interest, and will do so through consultation with LSU General Counsel. Additionally, ULS is currently taking action to re-evaluate the overall process and practices of ULS-sponsored and non-sponsored student trips to prevent any potential conflicts of this nature in the future. As such, ULS will explore administering student trips through the school/university accounting infrastructure, in accordance with university travel and accounting policies and procedures. The corrective actions indicated in this response will be completed no later than June 30, 2019. The person responsible will be Amy Westbrook, ULS Interim Superintendent, under the oversight of the College of Human Sciences and Education.

Audit Finding: Administration of the Aftercare Program

Management concurs with the audit finding and recommendation. ULS, in conjunction with the Assistant Dean for Finance in the College of Human Sciences and Education, has initiated measures to ensure accurate administration and financial reporting of the ULS Aftercare Program. As of July 1, 2018, all ULS financial and human resource business functions (and associated personnel) have been placed under the direct oversight of the HSE Assistant Dean for Finance. Moving forward, all financial and human resource business functionality will be housed within the HSE Dean's Office of Financial Services. As of now, under this direct oversight, certain policies and procedures have been established to ensure all revenues and expenses associated with the ULS Aftercare Program have been properly recorded and will continue to maintain proper records and produce routine financial reports. The corrective actions indicated in this response will be completed no later than June 30, 2019. The persons responsible will be Amy Westbrook, ULS Interim Superintendent, and Rob Lyles, Assistant Dean, College of Human Sciences and Education.

Audit Finding: Administration of Summer Camps

Management concurs with the audit finding and recommendation. ULS will take measures to attempt to run all existing and future summer camps (athletic and educational) through ULS to avoid any actual or appearance of conflict of interest. Regardless of the status of the camp (ULS operated/sponsored, privately-run), ULS will implement policies and procedures will be established including, but not limited to the following:

- ULS will continue to send out email notifications, to all affected personnel, reminding individuals to complete the 'Mandatory Abuse Reporting' training. ULS will require a copy of the completed training certificate, prior to the launch of the camp. If the certificate is not provided, the camp will not be permitted on ULS/LSU campus.

- The HSE Office of Financial Services has created internal compensation forms for all payments, above base salary, which will require the signature of the employee's supervisor and cost center manager for ULS.
- ULS will prompt an annual request for all employees, with outside employment, to submit the required PM-11. Any ULS employees conducting a privately-run camp will not be permitted to operate, without an updated PM-11 on file.
- An accurate and comprehensive list of all ULS operated/sponsored camps will be maintained, along with the necessary and related documentation (registration forms, rosters, IT, etc...).
- Additionally, under the oversight of the HSE Office of Financial Services, all camp-related revenues and expenses will be properly recorded and reported, on a routine basis.

The corrective actions indicated in this response will be completed no later than June 30, 2019. The persons responsible will be Amy Westbrook, ULS Interim Superintendent, and Rob Lyles, Assistant Dean, College of Human Sciences and Education.

Audit Finding: University Funds Inappropriately Deposited into Agency Accounts

Management concurs with the audit finding and recommendation. ULS accounting personnel, under direct supervision of the Assistant Dean for Finance & Accounting in the College of Human Sciences and Education have and are continuing to engage the LSU Office of Accounting Services to ensure that all funds derived from ULS-related activities are deposited in the appropriate University account(s). ULS, in conjunction with LSU Accounting Services, will also ensure transfers are completed moving any University funds, currently residing in agency accounts, into the appropriate University account(s). Additionally, ULS will follow the recommendation and guidance from the Office of Accounting Services to determine the need/requirement of any existing (or future) agency accounts and take appropriate measures to limit their number. The ULS Director's Award will no longer be awarded at the school, and any other pertinent ULS Scholarship/Fellowship/Exemption Program, will be formally established and administered in accordance with PS-106, per the audit recommendation. Furthermore, as of July 1, 2018, all ULS financial and human resource business functions (and associated personnel) have been placed under the direct oversight of the HSE Assistant Dean for Finance & Accounting to ensure adherence to proper University financial/accounting practices, policies, and procedures. The corrective actions indicated in this response will be completed no later than June 30, 2019. The person responsible will be Rob Lyles, Assistant Dean, Human Sciences and Education, under the guidance of the LSU Office of Accounting Services.

If you have any questions or need any additional information, please feel free to contact me.

College of Human Sciences & Education
Dean's Office

Sincerely,

Dr. Roland Mitchell
Interim Dean and E.B. "Ted" Robert Endowed Professor
College of Human Sciences and Education

cc: Provost Haynie
Dan Layzell
Donna Torres
Chad Brackin
Trey Jones
Gaston Reinoso

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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, 2017, through June 30, 2018, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2018.

- 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 of federal programs and the Highway Safety Cluster of federal programs for the year ended June 30, 2018, as a part of the 2018 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, 2018, as a part of the 2018 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 Reports, and accordingly, we do not express an opinion on those reports. LSU and Related Campuses' accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.