

LOUISIANA STATE UNIVERSITY
AND RELATED CAMPUSES
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED NOVEMBER 27, 2013

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 20, 2013

**LOUISIANA STATE UNIVERSITY BOARD OF SUPERVISORS,
LOUISIANA STATE UNIVERSITY,
LOUISIANA STATE UNIVERSITY AGRICULTURAL CENTER,
PENNINGTON BIOMEDICAL RESEARCH CENTER,
PAUL M. HEBERT LAW CENTER,
LOUISIANA STATE UNIVERSITY AT ALEXANDRIA,
AND LOUISIANA STATE UNIVERSITY AT EUNICE
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana State University System's (System) financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2013, we conducted certain procedures at Louisiana State University Board of Supervisors, Louisiana State University, Louisiana State University Agricultural Center, Pennington Biomedical Research Center, Paul M. Hebert Law Center, Louisiana State University at Alexandria, and Louisiana State University at Eunice for the period from July 1, 2012, through June 30, 2013.

- Our auditors obtained and documented an understanding of LSU and Related Campuses' operations and system of internal controls, including internal controls over major federal award programs administered by the university, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the university.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using LSU and Related Campuses' financial information provided to the LSU System and obtained explanations from management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year engagement. The findings identified in our prior year management letter dated January 31, 2013, related to improper purchases made with the university procurement card at LSU Eunice and missing cash in the LSU Athletic Ticket Office have been resolved by management.

- Our auditors considered internal control over financial reporting and examined evidence supporting certain accounts and balances material to the System's financial statements as follows:

Statement of Net Position - Cash and cash equivalents, investments, capital assets, accounts payable, deferred revenue, bonds payable, compensated absences payable, other postemployment benefits payable, and net position

Statement of Revenues, Expenses, and Changes in Net Position - Student tuition and fee revenues, federal revenues, auxiliary revenues, state appropriations, education and general expenses, and auxiliary expenses

We also tested LSU and Related Campuses' compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's financial statements for fiscal year ended June 30, 2013, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133 on the Student Financial Assistance Cluster (CFDA various) and the Research and Development Cluster (CFDA various) for the fiscal year ended June 30, 2013, as part of the Single Audit of the State of Louisiana.
- Our auditors performed procedures related to LaCarte procurement card transactions for fiscal years 2012 and 2013. Our procedures detected opportunities for economies of operation, which have been discussed with management.

The financial information provided to the System by LSU and Related Campuses was not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. LSU and Related Campuses' accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration.

Inadequate Controls over Capital Asset Valuation

Louisiana State University and Related Campuses (LSU) did not ensure that all costs had been accurately reflected in the valuation of movable property in its Equipment Records Inventory (ERI) System. Three of the 15 (20%) movable property acquisitions tested were valued incorrectly, which overvalued movable property acquisitions by \$14,732. Projected to the population, the likely misstatement of movable property is approximately \$669,000.

LSU Property Management records movable property and related values into its ERI System based on purchase order or invoice amounts or other payment documentation

available at the time of input rather than the final acquisition cost. There is no university policy in place requiring LSU Property Management to follow up on final cost. Purchasing departments are also not required to report differences between the purchase order and final invoice of an asset to LSU Property Management. Therefore, the total actual acquisition cost of an asset may not be properly reflected in the ERI System and the university's financial statements.

In accordance with accounting standards, the capitalized amount should be reported at historical cost (or estimated fair value for a donated capital asset) and should include any charges necessary to put the asset into place such as freight and transportation charges, site preparation costs, and professional fees.

LSU should establish controls to ensure that movable property is properly valued in LSU's ERI System and financial statements. Management concurred with the finding and provided a plan of corrective action (see Appendix A).

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

The purpose of this letter 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 letter is not intended to be and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

CST:JPT:EFS:THC:ch

LSU&RELATED 2013

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation

October 28, 2013

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

Dear Mr. Purpera:

In conjunction with the legislative audit of LSU, we wish to respond to the audit finding concerning inadequate controls over capital asset valuation for LSU and related campuses. We concur with the finding addressed in the letter dated October 15, 2013. As requested in the letter, the following response is issued for the finding:

Finding:

LSU and related campuses did not ensure that all costs had been accurately reflected in the valuation of movable property in its Equipment Records Inventory (ERI) system.

Response to Finding:

Anticipated Completion Date: 03/01/2014

LSU will formulate and adopt a Finance and Administrative Services Operating Procedure that will define a process for ensuring movable property is properly valued in ERI and the financial statements.

Contact Person(s):

Marie Frank, Executive Director of Procurement Services and Property Management
Donna Torres, Associate Vice Chancellor for Accounting & Financial Services

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

Sincerely,



F. King Alexander
President and Chancellor