



*Board of Regents – Internal Audit of Louisiana Office of Student Financial Assistance (LOSFA) –  
Special Programs*

*February 11, 2019*

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*Postlethwaite & Netterville, A Professional Accounting Corporation*

# *Table of Contents*

Section	Page
Objective & Scope	3
Observations Summary	4
Results	5
Appendix A: Special Programs Administered by LOSFA	6
Appendix B: Risk Rating Definitions	7
Appendix C: Payment Edit Permissions by System Role	8
Appendix D: Assumptions and Limiting Conditions	9
Appendix E: Transmittal Letter	10
Appendix F: Management Response Letter	11

# Objective & Scope

An internal audit was conducted to assess the Louisiana Office of Student Financial Assistance (LOSFA) processes and applicable internal controls related to the special programs\* administered by the agency.

## Overview

- Obtained documented policies and procedures
- Interviewed LOSFA personnel to gain an understanding of the applicable processes and underlying systems
- Performed walkthroughs of the programs processes and the Award System
- Assessed appropriateness of Award System access for certain access rights/permissions
- Assessed the audit process for programs, as applicable

The scope period included in the audit was October 1, 2018 – January 16, 2019

\* While we performed process walkthroughs for all special programs, the primary focus of the audit and observations noted in this report was on special programs with the appropriations and/or total payment amounts greater than \$200,000 in both FY 2017-18 and FY 2018-19 (See Appendix A for detailed listing of special programs).

# Observations Summary

- ❖ Based on the results of our special programs preliminary risk assessment and process walkthroughs performed, the focus of this audit was on the following special programs that we assessed to be material for the purposes of our procedures<sup>1</sup>: Louisiana GO Grant, TOPS (Taylor Opportunity Program for Students) TECH Early Start, Strategies to Empower People Program (STEP), and Chafee Education and Training Voucher Program. The objective of our audit was primarily related to evaluation of the design of controls related to 1) the Award System, including automation controls and user access to perform certain functions within the system, and 2) manual processes and controls for special programs.
- ❖ During our walkthroughs, we identified certain internal controls designed to mitigate risks associated with processes for administration of special programs, as follows<sup>2</sup>:
  - System edit or limit controls were in place on certain high risk data fields, commensurate with the rules defined for the associated special programs. These controls were designed to prevent errors in award determinations and/or payments.
  - Where applicable, LOSFA's Audit Division performed risk-based audits annually, on a sample basis, related to high schools, colleges and/or proprietary schools. Since eligibility for several special programs is determined by the schools, LOSFA audits also included assessments of the eligibility determination processes for alignment with the specific program rules. Additionally, where applicable, the billings and disbursements by the school were reviewed for accuracy on a sample basis. This audit process served as a detective and corrective control and was designed to reduce the risk of overall overpayments by the program.
- ❖ Based on our procedures, one observation was identified and was assessed to be **low** risk to the agency (See Appendix B for additional details regarding risk rating definitions). This observation was related to the Award System access and certain instances where users' access and privileges were not limited based on job responsibilities.

Please note that this Internal Audit of Special Programs and the Internal Audit of TOPS issued in December 2018 were performed simultaneously, and both included testing of system access relevant to the specific scopes of each audit. Results of testing specific to each audit are included in the applicable internal audit report.

**Please refer to the Results section of this report for additional details.**

## Footnotes:

<sup>1</sup> We assessed materiality as special programs with the appropriations and/or total payment amounts greater than \$200,000 in both FY 2017-18 and FY 2018-19.

<sup>2</sup> Tests of operating effectiveness were not performed for each of the controls described.

# Results: Award System Access

Observation	Risk	Root Cause	Recommendation	Responsible Party	Management Response
<b>Risk Rating: Low</b>					
<p>As per system generated access listings and discussions with management, access to the Award System is role-based, and users with the access to "LOSFA-IT", "LOSFA-SG", and "LOSFA-SGSP" roles have access to edit payment amounts for certain special programs (See Appendix C). The following observations were identified related to user access:</p> <p>1. The "LOSFA-IT" user role was assigned to three members of the IT division. While these users have responsibility for the overall system maintenance, based on their job responsibilities, they do not require access to edit payment amounts.</p> <p>2. One individual assigned to the "LOSFA-SG" role and two individuals assigned the "LOSFA-SGSP" role were members of the Scholarship &amp; Grants division and as such responsible for administering special programs. It was explained to us that there are rare instances where users in these roles may need to edit certain payment amounts on behalf of the school (e.g., to correct errors, when the school is unable to make edits, etc.) However, at the time of testing, there was no monitoring process in place to ensure the accuracy of any adjustments made to payment amounts in the system.</p> <p><i>* It should be noted that while the system allows edits to payment amounts by users, for the four special programs identified as material, there are system limit controls in place for this field that would prevent payments over limits set by the program rules (i.e., max amount per term per student, annual amount max per student, max allocation amount per school, etc.).</i></p>	<p>-Access by unauthorized or inappropriate parties</p> <p>-Potential for users to make unauthorized or inappropriate changes in the system</p>	<p>- Defined system roles were not in alignment with job responsibilities</p>	<p>1. Related to the "LOSFA-IT" role, management should consider limiting system access to edit special programs payment fields.</p> <p>2. Related to the "LOSFA-SG" and "LOSFA-SGSP" roles, management should consider:</p> <p>a. If deemed feasible, restrict access to edit the payment amounts for programs identified in Appendix C. This would also require evaluating the system capabilities to re-route the payment request back to schools, so that they may independently make payment edits. For example, it was explained that the S&amp;G group has the ability to re-route/adjust the status of payment requests within the system, which would then allow schools to edit the payment amount in the system. If implemented, management should also consider updating the S&amp;G policies and procedures to include this practice.</p> <p>b. In the event this is not feasible, management should consider working with the system vendor to implement system monitoring controls. For example, management and the system vendor may evaluate the system capabilities of generating a report of payment edits made by LOSFA users. Management could then establish a process for performing a periodic review of payment edits entered into the system by LOSFA users for appropriateness.</p>	<p>IT Management</p>	<p>IT Management agrees to update the Award System Special Programs Payment Request screens to disable the Save, Add, and Delete buttons.</p> <p>1. The LOSFA-IT role will have view only capabilities.</p> <p>2. The LOSFA-SG and LOSFA-SGSP roles will have view only except for the ability to change the status field. A status field change back to Pending will allow the colleges to modify their payment requests.</p> <p>Anticipated Implementation Date: February 20, 2019</p>



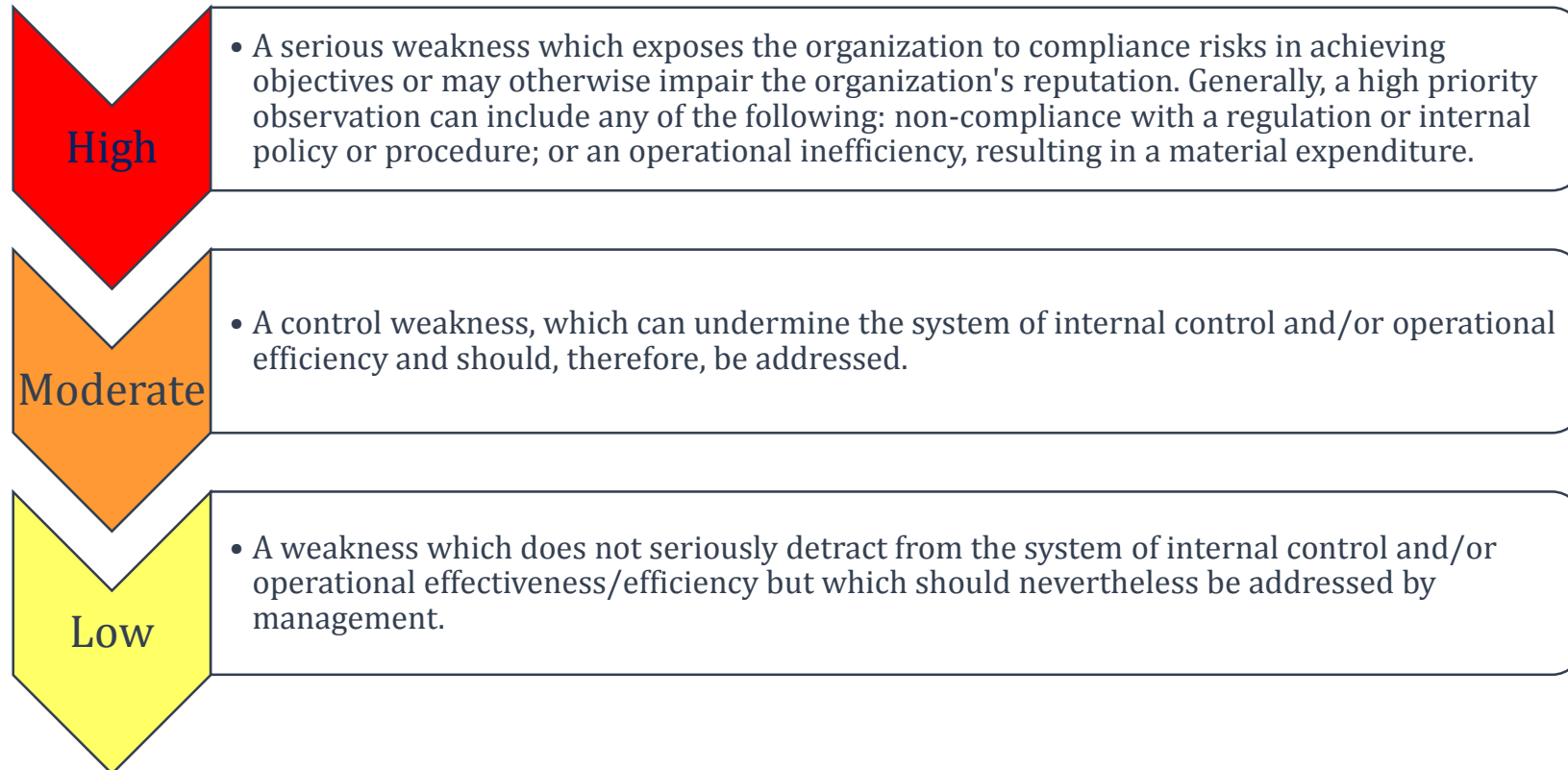
Footnotes:



Postlethwaite & Netterville

# Appendix B: Risk Rating Definitions

Risk ratings were assigned as follows:



# Appendix C: Payment Edit Permissions by System Role

System Role	Special Programs with System Access to Edit Payment Amounts in the Award System
<b>Observation #1</b>	
LOSFA-IT	Strategies to Empower People (STEP)
	BESE (Board of Elementary and Secondary Education) Tuition Program for Teachers
	Chaffee Education and Training Voucher
	Louisiana GO Grant
	Rockefeller State Wildlife Scholarship
	TOPS (Taylor Opportunity Program for Students) Tech Early Start
	GO Youth ChalleNGe
	John R. Justice
<b>Observation #2</b>	
LOSFA-SG	Louisiana GO Grant
	TOPS (Taylor Opportunity Program for Students) Tech Early Start
LOSFA - SGSP	Strategies to Empower People (STEP)
	Chaffee Education and Training Voucher
	Louisiana GO Grant
	TOPS (Taylor Opportunity Program for Students) Tech Early Start

# ***Appendix D:***

## ***Assumptions and Limiting Conditions***

Our procedures were not designed to detect fraud, to constitute a financial statement audit, review, compilation, or to provide assurance on the internal controls or information provided. Accordingly, we will not express an opinion or conclusion, nor provide any other form of assurance on the completeness and accuracy of the information. Additionally, the projection of any conclusions, based on our findings, to past or future periods is subject to the risk that changes may have occurred during the passage of time that may alter the validity of such conclusions. Furthermore, the projection of any conclusions, based on our findings, to the whole population is subject to the risk that the samples selected may not accurately reflect the population as a whole.

This engagement was conducted in accordance with the *American Institute of Certified Public Accountants' Statement on Standards for Consulting Services (SSCS)* and the *International Standards for the Professional Practice of Internal Auditing (Standards)*.

# *Appendix E: Transmittal Letter*

February 11, 2019

Regent Jay Seale  
Audit Committee Chair  
Louisiana Board of Regents  
1201 N. Third Street, Suite 6-200  
Baton Rouge, LA 70802

Dear Regent Seale:

As presented in this enclosed report, Postlethwaite & Netterville, APAC (P&N) has completed our internal audit of LOSFA's Special Programs processes. On the pages above, this report provides: 1) the procedures performed, 2) a summary of the observation(s) noted during our engagement, 3) recommended action(s) to consider related to the Special Programs processes.

These recommendation(s) are only for your consideration, and are not intended to be implemented without management's thorough understanding and acceptance.

P&N appreciates the cooperation and assistance provided by LOSFA's personnel during this engagement. We sincerely appreciate this opportunity to be of service to you. Please do not hesitate to contact us if you have any questions related to this report or any other matters.

Sincerely,

*Postlethwaite & Netterville, APAC*

POSTLETHWAITE & NETTERVILLE, APAC

# Appendix F: Management Response Letter



*A Program of the Board of Regents*  
602 North Fifth Street  
Baton Rouge, LA 70802  
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February 6, 2019

## **LOSFA**

*Sujuan Boutte, Ed.D.*  
*Executive Director*

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Ms. Kristin Bourque, CIA  
Consulting Manager  
Postlethwaite & Netterville  
8550 United Plaza Boulevard, Suite 1001  
Baton Rouge, Louisiana 70809

Re: LOSFA Special Programs Internal Audit

Dear Ms. Bourque:

We have received and reviewed the preliminary observations regarding the Special Programs Audit of LOSFA Programs. LOSFA provides the following responses.

Although there are 2 observations listed in the report, they are both for the same issue: user roles within the Louisiana Award System are currently assigned to those who do not necessarily need the access provided by those roles. Management agrees that user roles should be limited in accordance with job responsibilities, and it has identified the measures that will be taken to ensure these limitations are implemented.

It should be noted that similar observations were noted in connection with the Taylor Opportunity Program for Students audit that was conducted concurrently with the Special Programs audit. LOSFA notes that it had begun reviewing user roles for all programs, but because these audits ran concurrently, LOSFA did not have the opportunity to correct the issue within Special Programs before this report was provided. LOSFA is currently modifying the Award System to limit all roles, and these changes will be implemented no later than February 20, 2019.

Sincerely,

Sujuan W. Boutté, Ed.D.  
Executive Director, LOSFA Programs



*A Professional Accounting Corporation*