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BOARD OF REGENTS

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AGENDA

AUDIT COMMITTEE

Wednesday, June 16, 2021

10:30 a.m.

Claiborne Building, 1st Floor
Thomas Jefferson A&B, Room 1-136
1201 North Third Street
Baton Rouge, Louisiana

- I. Call to Order
- II. Roll Call
- III. Internal Audit Presentation
 - A. Approval and Review of Internal Audit Charter
 - B. Contract Year 3 Follow-up Audit Status
 - C. Approval of the Proposed Internal Audit Plan for Fiscal Year 2022
- IV. Other Business: Discussion of the Louisiana Legislative Auditor Management Letter dated April 19, 2021
- V. Adjournment

Committee Members: T. Jay Seale III, Chair; Phillip May, Jr., Vice Chair; Randy Ewing; Darren Mire; Felix Weill; Judy Williams-Brown
Staff: Dr. Kim Hunter-Reed, Commissioner of Higher Education

Audit Committee
Executive Summary
June 16, 2021

Agenda Item III.A. Approval and Review of Internal Audit Charter

The Audit Committee is required to review and approve the Internal Audit Charter annually. The Internal Audit Charter provides the purpose, authority, responsibility, and position within the organization. Since the Charter was last updated, there were no changes to the Institute of Internal Auditing Standards that would necessitate a change. Postlethwaite & Netterville (P&N) has reviewed the most recently updated charter (Attachment I), approved August 13, 2020. Based on P&N's review, no changes are recommended to the charter at this time.

RECOMMENDATION

The Audit Committee Chair recommends reapproval of the Internal Audit Charter.

Agenda Item III.B. Contract Year 3 Follow-up Audit Status

P&N will update the Audit Committee on the audits performed in year 3 of the agreement. P&N conducted audits of BOR IT Security and LUMCON Vendor-Contract Management and Vessel Operations. Additionally, a follow-up audit was performed on the latter and a follow-up audit on BOR IT Security will be conducted during FY 2021-2022. P&N will also provide an update on procedures performed toward risk assessment development and the audits planned.

No motion is required.

Agenda Item III.C. Approval of the Proposed Internal Audit Plan for Fiscal Year 2022

The Audit Committee is required to review and approve the Internal Audit Plan annually. The annual risk assessment process and resulting Internal Audit Plan provides for the allocation of internal audit resources to higher-risk activities within the Board of Regents' (BOR) programs for the upcoming fiscal year. P&N developed this audit plan using a risk-based approach in compliance with the Institute of Internal Auditors' standards and Louisiana Revised Statute 17:3138.6.

RECOMMENDATION

The Audit Committee Chair recommends approval of P&N's Internal Audit Plan for FY 2022.

Agenda Item IV. Discussion of the Louisiana Legislative Auditor Management Letter dated April 19, 2021

The annual Legislative Auditor Management Letter was issued April 19, 2021 (Attachment II). The period reviewed was for the year ending June 30, 2020. BOR was cited for two findings in the prior year: Weakness in Controls Over Payroll and Weaknesses in Controls over LaCarte Card and CBA Purchases. All prior findings have been resolved and **no** new findings were issued. Additionally, the auditors did not find any indications or instances of fraud or misappropriation. This report represents the first Management Letter or Single Audit report without any findings since Fiscal Year 2015.

No motion is required.

Attachment I

Louisiana Board of Regents

Internal Audit Charter

INTRODUCTION

As defined by the Institute of Internal Auditors, Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Louisiana Board of Regents (hereafter referred to as Board of Regents). Internal Audit assists Board of Regents in accomplishing its goals and objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.

ROLE

The internal audit activity and its responsibilities are established by the Audit Committee. The Audit Committee consists of no less than five voting members that are independent of the Board of Regents staff and collectively possess sufficient knowledge of audit, finance, higher education, information technology, law, governance, risk and control. The internal audit activity's role is to examine and evaluate the adequacy and effectiveness of Board of Regents' governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve Board of Regents' goals and objectives. The internal audit activity furnishes impartial, independent analyses, appraisals, recommendations, and pertinent comments on the business activities of Board of Regents.

The Chief Audit Executive will be the contract manager for the outsourced internal audit provider, and will be responsible for ensuring internal audits and other agreed activities are conducted in compliance with this Charter and the Consulting Contract.

Management of each Board of Regents' divisions has the responsibility to ensure that assets are properly safeguarded, internal controls are established and are sufficient to ensure compliance with applicable laws and regulations, and procedures are sufficient to detect errors and fraud in a timely manner. Management is also responsible for providing input into the risk assessment and audit plan and for ensuring that internal audit findings are resolved in a timely manner.

PROFESSIONALISM

The internal audit activity will govern itself by adhering to the Institute of Internal Auditor's mandatory guidance, which includes the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance provides principles and fundamental requirements that allow for the evaluation of the effectiveness of the internal audit activity's performance.

AUTHORITY

The internal audit activity is authorized to full and unrestricted access to Board of Regents' records, personnel, and physical properties pertinent to the engagement being conducted. The internal audit activity will uphold accountability and confidentiality in regards to safeguarding records and sensitive information. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the members of the Board of Regents.

ORGANIZATION

The internal audit activity reports functionally to the Audit Committee of Board of Regents and administratively to the Commissioner of Higher Education. Board of Regents Audit Committee will:

- Review and approve the internal audit charter.

Louisiana Board of Regents Internal Audit Charter

- Review and approve the risk based internal audit plan, including all major changes to the plan.
- Review and approve the internal audit budget and resource plan.
- Receive communications on the internal audit activity's performance relative to its plan and other matters.
- Review and approve decisions regarding the appointment and removal of the outsourced internal audit provider.
- Make appropriate inquiries of management and the internal audit activity to determine whether there is inappropriate scope or resource limitation.
- Receive communications on any complaints reported through the Louisiana Legislative Auditor (LLA) Hotline or other reporting mechanisms as designed and implemented by the Board of Regents and coordinate with Board of Regents external audit staff on any matters reported where incorrect, inaccurate or misleading data may have been submitted to the Board of Regents or the Institution Management Boards.

The outsourced internal audit provider will communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee meetings, as appropriate.

INDEPENDENCE AND OBJECTIVITY

While the internal audit activity will remain free from interference in the Board of Regents and will provide recommendations related to matters of audit selection, scope, procedures, frequency, timing, or report content and best practices; the Audit Committee of Board of Regents and Commissioner of Higher Education will make a final decision related to audit plan, scope and budget as detailed in the Consulting Contract with the outsourced internal audit provider.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

RESPONSIBILITIES

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Board of Regents' governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve Board of Regents stated goals and objectives. This includes:

- Facilitating an annual risk assessment process to evaluate risk related to specific auditable areas of the Board of Regents, Louisiana Office of Student Financial Assistance (LOSFA), and Louisiana Universities Marine Consortium (LUMCON), including any agency or program focused audit and compliance areas. The primary purpose of this process is to assess and prioritize focus on the organization's high risk areas in developing the internal audit plan.
- Evaluating risk exposure relating to achievement of Board of Regents' strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.

Louisiana Board of Regents Internal Audit Charter

- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on Board of Regents.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of Board of Regents' risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for Board of Regents.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Board of Regents.
- Reviewing and investigating any matters related to the integrity of Board of Regents management.
- Evaluating specific operations at the request of Board of Regents management or Audit Committee, as appropriate.
- Advising the Audit Committee on matters within the scope of its authority.

INTERNAL AUDIT PLAN

At least annually, the outsourced internal audit provider will submit to senior management and the Audit Committee an internal audit plan for review and approval based on the results of the risk assessment. The internal audit plan will consist of a work schedule based on the annual budgeted hours for the next fiscal/calendar year. The outsourced internal audit provider will communicate the impact of resource limitations and significant interim changes to senior management and Board of Regents.

The internal audit plan will be developed based on a prioritization of the audit universe by facilitating a risk-based methodology, including input of senior management and the Audit Committee. The outsourced internal audit provider will review and adjust the plan, as necessary, in response to changes in Board of Regents' business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports, and approval will be obtained by the Audit Committee for such changes.

The outsourced internal audit provider will supply professional internal audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.

REPORTING

A written report will be prepared and issued by the outsourced internal audit provider following the conclusion of each engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

Management's response with corrective actions taken or to be taken in regards to specific findings and recommendations, whether included within the original audit report or provided thereafter (i.e. within thirty days) will include a timetable for anticipated completion of action to be taken and an explanation

**Louisiana Board of Regents
Internal Audit Charter**

for any corrective action that will not be implemented. The outsourced internal audit provider will evaluate management’s corrective action plan to determine if identified risk is being adequately addressed.

The outsourced internal audit provider will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The outsourced internal audit provider will periodically report to senior management and the Audit Committee on the internal audit activity’s purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The outsourced internal audit provider will communicate to senior management and the Audit Committee on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

APPROVAL AND AMENDMENT OF CHARTER

The Audit Committee will review the Internal Audit Charter on an annual basis and approve changes as required.

Internal Audit Activity Charter

Approval date _____

Outsourced Internal Audit Provider

Chairman of the Audit Committee

Commissioner of Higher Education

Attachment II

LOUISIANA BOARD OF REGENTS

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED APRIL 19, 2021

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

TEMPORARY LEGISLATIVE AUDITOR
THOMAS H. COLE, CPA, CGMA

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

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.20. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3306 or Report ID No. 80200135 for additional information.

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Louisiana Legislative Auditor



Louisiana Board of Regents

April 2021

Audit Control # 80200135

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2020, we performed procedures at the Louisiana Board of Regents (BOR) to evaluate the effectiveness of BOR's internal controls over financial reporting and compliance and determine whether BOR 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 BOR management letter dated April 29, 2020. We determined that management has resolved the prior-year findings related to Weakness in Controls over Payroll and Weaknesses in Controls over LaCarte Card and CBA Purchases.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2020, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on BOR's major federal program, the Research and Development Cluster.

Those tests included evaluating the effectiveness of BOR's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether BOR complied with applicable program requirements.

Based on the results of these procedures, we did not report any findings.

In addition, we performed procedures on information submitted by BOR 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 it relates to the Federal Family Loan program as required by Uniform Guidance.

BOR's information submitted for the preparation of the state's SEFA is materially correct.

Other Procedures

In addition to the Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing BOR's internal control and compliance with related laws and regulations over payroll and LaCarte card and CBA purchases.

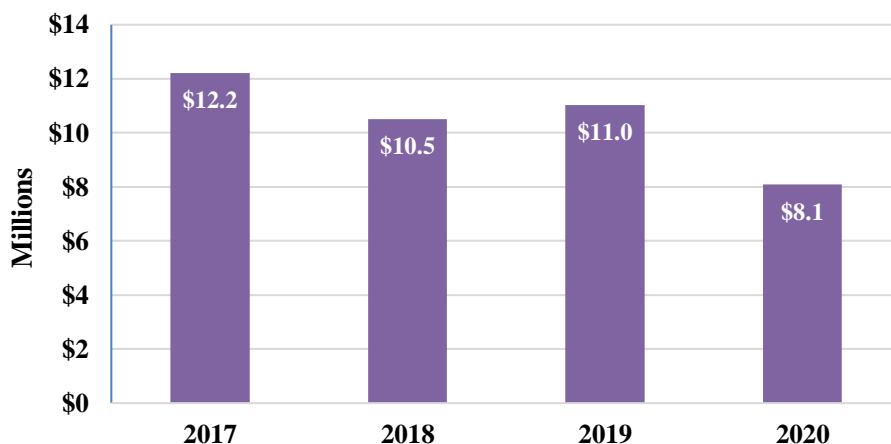
Based on the results of these procedures performed, we did not report any findings.

Trend Analysis

We compared the most current and prior-year financial activity using BOR's Annual Fiscal Reports and/or system-generated reports and obtained explanations from BOR's management for any significant variances.

We also prepared an analysis of Research & Development (R&D) expenditures from Fiscal Year (FY) 17 through FY20 (Note: Effective August 1, 2016, the Louisiana Universities Marine Consortium and the Louisiana Office of Student Financial Assistance were consolidated with BOR.). As shown below, the R&D expenditures were fairly stable from FY17 to FY19; however, in FY20, R&D spending decreased by approximately \$2.9 million (26.4%). Per BOR's management, the large decrease in spending was attributable to a reduction in R&D activities due to the COVID-19 pandemic.

Exhibit 1
R&D Expenditures by Fiscal Year



Source: Fiscal Years 2017-2020 Schedule of Expenditures of Federal Awards

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Thomas H. Cole". The signature is written in a cursive style with a large initial 'T'.

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor

DPT:EBT:BQD:EFS:aa

BOR 2020

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Board of Regents (BOR) for the period from July 1, 2019, through June 30, 2020, 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 Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2020.

- We evaluated BOR'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 BOR.
- We performed procedures on the Research and Development Cluster for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards as it relates to the Federal Family Loan program for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We compared the most current and prior-year financial activity using BOR's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from BOR's management for significant variances.

In addition, we performed procedures that included obtaining, documenting, and reviewing BOR's internal control and compliance with related laws and regulations over payroll and LaCarte card and CBA purchases. 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.

The purpose of this report is solely to describe the scope of our work at BOR, and not to provide an opinion on the effectiveness of BOR'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 BOR's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. BOR's accounts are an integral part of the state of Louisiana's Comprehensive Annual Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.