

LSU HEALTH SCIENCES CENTER – NEW ORLEANS

LOUISIANA STATE UNIVERSITY SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued March 17, 2025

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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MICHAEL J. "MIKE" WAGUESPACK, CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

LSU Health Sciences Center – New Orleans



March 2025

Audit Control # 80240030

Introduction

As a part of our audit of the Louisiana State University System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2024, we performed procedures at the Louisiana State University Health Sciences Center – New Orleans (LSUHSC-NO) to provide assurances on financial information that is significant to the System’s financial statements; evaluate the effectiveness of LSUHSC-NO’s internal controls over financial reporting and compliance; and determine whether LSUHSC-NO complied with applicable laws and regulations.

Results of Our Procedures

Current-year Findings

Inaccurate Reporting of Student Enrollment Status

LSUHSC-NO did not ensure changes in enrollment status for students who received Federal Direct Student Loans were accurately and timely reported to the National Student Loan Data System (NSLDS), as required by federal regulations. Inaccurate and untimely reporting of changes in enrollment status could impact the student’s financial aid eligibility and result in either the advance or delay of a student’s grace period or obligation to begin or resume making scheduled loan payments, which could impair the federal government’s ability to recoup loan funds from the student and results in noncompliance with federal regulations.

Audit procedures on a sample of 60 students with Federal Direct Student Loans revealed that six (10%) had inaccurate enrollment statuses reported in the NSLDS, and seven (12%) students’ enrollment status changes were not reported timely, ranging from 29 to 107 days late.

Federal program regulations requires, unless an institution expects to submit its next updated enrollment report to the US Department of Education (USDOE) within the next 60 days, a school must notify the USDOE within 30 days after the school discovers that a loan under Title IV was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be

enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Management should strengthen its procedures over changes in enrollment status for students receiving Federal Direct Student Loans and report accurate and timely information to NSLDS. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 1-2).

Control Weakness over Direct Loans Monthly Reconciliations

LSUHSC-NO did not timely reconcile the USDOE's loan information to the institution's financial records on a monthly basis for the Federal Direct Student Loans program (AL 84.268).

Each month, the USDOE's Common Origination and Disbursement (COD) system provides the institution the School Account Statement data files, which should reconcile back to the USDOE's grants management system (G5 system) Draw Down reports and the institution's financial records to ensure the institution has transmitted accurate and complete student data to the COD system for all Federal Direct Student Loan borrowers in accordance with federal requirements. Failure to perform the monthly reconciliations timely could result in LSUHSC-NO reporting inaccurate information to the COD system and place LSUHSC-NO in noncompliance with Direct Loan federal regulations. In addition, failure to reconcile to the G5 system could affect the overall cash management controls.

Federal regulations require that institutions must, on a monthly basis, reconcile institutional records with Federal Direct Student Loan funds received and disbursement records submitted to and accepted by the USDOE. During fiscal year 2024, audit procedures revealed that three of 12 (25%) monthly direct loan reconciliations were not completed timely, ranging from 29 to 91 days past the end of the next month. In addition, five of 12 (42%) were not reviewed timely, ranging from 14 to 155 days after the end of the next month.

LSUHSC-NO did not have adequate controls in place to ensure timely preparation and review of monthly Direct Loan reconciliations. Management should strengthen its controls to ensure LSUHSC-NO timely prepares and reviews monthly reconciliations of the institution's financial and business records to the G5 and COD systems. Management concurred in part and provided a corrective action plan (see Appendix A, pages 3-4).

Financial Statements – Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2024, we considered LSUHSC-NO's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Capital Assets, Receivables

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

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Nongovernmental Grants and Contracts

Expenses - Educational and General

Based on the results of these procedures, we did not report any findings. 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, 2024, 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 LSUHSC-NO's major federal programs, the Research and Development Cluster and Student Financial Assistance Cluster.

Those tests included evaluating the effectiveness of LSUHSC-NO's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LSUHSC-NO complied with applicable program requirements.

In addition, we performed certain procedures on loan program information submitted by LSUHSC-NO to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA), as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported two finding related to Inaccurate Reporting of Student Enrollment Status and Control Weakness over Direct Loans Monthly Reconciliations for the Student Financial Assistance Cluster. These findings will also be included in the Single Audit for the year ended June 30, 2024. In addition, LSUHSC-NO's information submitted for the preparation of the state's SEFA, as adjusted, is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using LSUHSC-NO's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LSUHSC-NO's management for any significant variances.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LSUHSC-NO. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LSUHSC-NO should be considered in reaching decisions on courses of action. The findings related to LSUHSC-NO's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MT:AB:BH:BQD:aa

LSUHSC-NO 2024

APPENDIX A: MANAGEMENT'S RESPONSES



January 27, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Office of Louisiana Legislative Auditor
1600 North Third Street, Baton Rouge, LA 70804

We have reviewed the audit findings from your letter dated January 24, 2025, and appreciate the time and effort of your staff in assisting us in improving our operations. Please find our response to the finding below.

Finding: Inaccurate Reporting of Student Enrollment Status

Management concurs with the finding noted in the report.

Corrective Actions:

1. The Registrar's Office created a new National Student Clearinghouse (NSC) reporting schedule to ensure compliance.

Completion Date: August 30, 2024

2. The new NSC reporting schedule will be published on the Registrar's website for accountability and information purposes.

Estimated Completion Date: February 15, 2025

3. Programming changes to PeopleSoft will be completed whenever new degree programs are created to ensure that students are reported correctly to the NSC. The Registrar's Office will update its policies and procedures, as well as NSC reporting instructions based on these changes. This will ensure that students are reported correctly to the NSC.

Estimated Completion Date: April 1, 2025

4. The Office of Financial Aid granted access to National Student Loan Data System (NSLDS) enrollment corrections to the Registrar's Office.

Completion Date: January 27, 2025

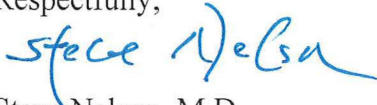
5. The Registrar's Office will create new policy and procedures to manually correct NSLDS enrollment data for any enrollment transactions (retroactive drops or withdrawals) taking place after the final NSC submission for each term that has been sent.

Estimated Completion Date: May 16, 2025 .

Responsible Personnel: University Registrar

If you have any additional questions or concerns, please do not hesitate to contact me.

Respectfully,

A handwritten signature in blue ink that reads "Steve Nelson". The signature is written in a cursive style.

Steve Nelson, M.D.
Chancellor

Pc: Dr. Janet Southerland
Mr. Ryan Garrity
Mr. Ben Lousteau
Ms. Vy Apostolakis
Mr. Daniel Cocran
Mr. Frank Wasser



January 27, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Office of Louisiana Legislative Auditor
1600 North Third Street, Baton Rouge, LA 70804

We have reviewed the audit finding from your letter dated January 14, 2025, and appreciate the time and effort of your staff in assisting us in improving our operations. Please find our response to the finding below.

Finding: Control Weakness over Direct Loans Monthly Reconciliations

Management concurs in part with the finding noted in the report.

Response: LSUHSC-NO is committed to continued fiscal responsibility in all facets of our University, including our participation in, and administration of, the Federal Direct Student Loans program. As evidence of our commitment, LSUHSC-NO has a three pronged reconciliation approach when administering these federal dollars: 1) the Office of Financial Aid (OFA) completes a monthly reconciliation between loan disbursements recorded in PeopleSoft and the federal Common Origination & Disbursement (COD) system, 2) with each drawdown request from the OFA, the Sponsored Project office compares the "Net Draws" in G6 to "Cash Receipts" reported in COD to ensure the drawdown of federal funds is appropriate, and 3) the Accounting Services office completes a monthly reconciliation whereby the activity in the federal systems (G6 and COD) are reconciled to the activity in our ledgers and subledgers. The noted finding is in relation to the reconciliations performed by our Accounting Services office.

Due to staffing transitions in LSUHSC-NO's Office of Financial Aid, there was a delay in the completion of the monthly reconciliations for the months of July 2023 – September 2023; therefore, these reconciliations were not finalized until November 2023.

LSUHSC-NO believes that it has fully complied with the requisite federal regulations and has exercised appropriate controls over the administration of these federal dollars. The Federal regulations state that "schools must, on a monthly basis, reconcile institutional records with the Federal Direct Student Loan Funds received and disbursement records submitted..." 34 CFR 685.300(b)(5). The regulations do not specify when monthly reconciliations must occur. Additionally, it is of note that the monthly reconciliations tied out exactly and contained no errors. Therefore LSUHSC-NO believes that its monthly reconciliations were in compliance with the regulations as written. However, we do recognize that timely reconciliations are an

important control feature and our direct loan reconciliation procedures should be revised to ensure that the reconciliations are prepared and reviewed timely.

Corrective Action:

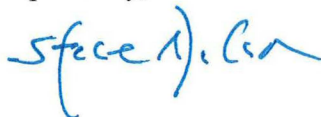
1. Accounting Services will modify its procedures governing the reconciliation of federal direct loans to ensure that the reconciliations are prepared and reviewed within 45 days of month end.

Responsible Personnel: Executive Director of Accounting Services

Anticipated Completion Date: January 31, 2025

If you have any additional questions or concerns, please do not hesitate to contact me.

Respectfully,

A handwritten signature in blue ink that reads "Steve Nelson, M.D." in a cursive style.

Steve Nelson, M.D.
Chancellor

Pc: Ben Lousteau
Vy Apostolakis
Daniel Cocran
Frank Wasser

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University Health Sciences Center – New Orleans (LSUHSC-NO) for the period from July 1, 2023, through June 30, 2024, 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. Our procedures, summarized below, are a part of the audit of the System’s financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2024.

- We evaluated LSUHSC-NO’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 LSUHSC-NO.
- Based on the documentation of LSUHSC-NO’s controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System’s financial statements.
- We performed procedures on the Research and Development Cluster and the Student Financial Assistance Cluster for the year ended June 30, 2024, as a part of the 2024 Single Audit.
- We performed certain procedures on information for the preparation of the state’s Schedule of Expenditures of Federal Awards for the year ended June 30, 2024, as a part of the 2024 Single Audit.
- We compared the most current and prior-year financial activity using LSUHSC-NO’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LSUHSC-NO’s management for significant variances.

The purpose of this report is solely to describe the scope of our work at LSUHSC-NO and not to provide an opinion on the effectiveness of LSUHSC-NO’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 LSUHSC-NO’s Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LSUHSC-NO’s accounts are an integral part of the System’s financial statements, upon which the Louisiana Legislative Auditor expresses opinions.