



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

Audit Services  
Dallas/Denver Audit Region

April 18, 2007

**Control Number**  
**ED-OIG/A06G0011**

Dr. E. Joseph Savoie  
Commissioner of Higher Education  
Louisiana Board of Regents  
P.O. Box 3677  
Baton Rouge, LA 70821-3677

Dear Dr. Savoie:

This **Final Audit Report**, entitled *Louisiana Hurricane Relief Funding*, presents the results of our audit of \$95 million in special funding provided to the Louisiana Board of Regents (BOR) by the Federal government. The objectives of our audit were to assess the adequacy of the BOR's internal controls over (1) the allocation of hurricane assistance funding and the information provided by postsecondary institutions and (2) accounting for the funds and compliance with laws and regulations. Our review covered the period January 17, 2006, through September 30, 2006.

---

## BACKGROUND

---

Hurricane Katrina and Hurricane Rita entered Louisiana on August 29, 2005, and September 24, 2005, respectively. As a result of the damage these hurricanes caused, the BOR received an appropriation of \$95 million authorized by the Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006 (Public Law 109-148) to provide hurricane relief funding to Louisiana higher education institutions and students. The legislation authorized funding through the Fund for the Improvement of Postsecondary Education (FIPSE), a grant program, to provide emergency assistance to institutions that were (1) located in an area affected by hurricanes in the Gulf of Mexico in calendar year 2005 and (2) forced to close, relocate, or significantly curtail their activities as a result of damage directly sustained by such hurricanes. The funds were to be used for student financial assistance, faculty and staff salaries, equipment, instruments, or any purpose authorized under the Higher Education Act of 1965, as amended (HEA). The Department of Education (Department) and the BOR signed an agreement that provided the funding for a two-year period beginning on January 17, 2006, and ending on January 16, 2008. The agreement required the BOR to allocate the funds by September 30, 2006, and prescribed that the funds were to be used in accordance with applicable provisions of 34 C.F.R. Parts 74-99.

The BOR, with input from various postsecondary schools and the Louisiana Joint Legislative Committee on the Budget, developed a final funding allocation plan that was approved by the Committee on April 13, 2006. In accordance with the approved plan, the BOR allocated \$86.5 million of the \$95 million under the FIPSE program to 17 institutions. The remaining \$8.5 million was allocated to the Louisiana Office of Student Financial Assistance (LOSFA) to be jointly administered by the BOR and LOSFA. A majority of the \$8.5 million was then allocated to 39 schools for use under the Rebuild Louisiana Student Financial Assistance Program (Rebuild). Rebuild funds were authorized to provide scholarships, up to a maximum of \$1,000, to eligible students as incentives for students to return to a Louisiana college or university for the Fall 2006 semester. To be eligible, a student was required to meet numerous prescribed criteria, which pertained to both hurricane impact and Title IV student financial assistance requirements.

The Department is responsible for overseeing the BOR's compliance with Federal laws and regulations, and the Louisiana Legislative Auditor (LLA) is responsible for performing audits of the BOR under the Single Audit Act.

---

## AUDIT RESULTS

---

Although the BOR had adequate internal controls over the allocation of hurricane assistance funding and the information provided by postsecondary institutions, the BOR needs to strengthen its controls for monitoring the proper use of the funds and compliance with laws and regulations. Our reviews at six schools did not identify any improper payments resulting from this finding.

The BOR agreed with the objectives of our recommendations, but it objected to our conclusion that BOR had inadequate controls. The auditee's comments and the OIG's response are summarized at the end of the finding. The auditee's comments, excluding the attachments, are included as an Attachment to the report. The attachments to the auditee's response are available upon request.

### **FINDING – Controls for Monitoring the Proper Use of the Funds Should Be Strengthened**

The BOR developed and followed an acceptable funding allocation plan. However, the BOR should strengthen its monitoring controls by requiring supporting documentation to ensure that expenditures were allowed by the terms of the grant and applicable laws and regulations, and that the expenditures were accurately accounted for and reported. Under 34 C.F.R. § 80.40(a)—

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

The BOR disbursed funds based on expenditure amounts certified by school officials, but it did not require schools to provide supporting documentation of how the funds were spent. Because expenditure documentation was not available at the BOR, we judgmentally selected six schools' expenditures for review: Tulane University, University of New Orleans, Delgado Community College, Loyola University, Xavier University, and Dillard University. As of September 30, 2006, the total funding received by the six schools and LOSFA was approximately \$62 million (65 percent of the \$95 million), as shown in the following table:

<b>Name of Recipient</b>	<b>Amount of Funds Allocated</b>	<b>Amount of Funds Received</b>	<b>Type of Expenditures Claimed for Reimbursement</b>
LOSFA	\$ 8,500,000	\$ 8,500,000	Student Incentives
Tulane University	\$14,067,377	\$14,067,377	Salaries & Benefits
University of New Orleans	\$14,046,580	\$14,046,580	Salaries & Benefits
Delgado Community College	\$12,219,304	\$ 4,800,000	Salaries & Benefits
Loyola University	\$ 8,219,944	\$ 8,219,944	Salaries
Xavier University	\$ 6,868,290	\$ 6,868,290	Salaries
Dillard University	\$ 5,300,221	\$ 5,300,221	Salaries
<b>Total</b>	<b>\$69,221,716</b>	<b>\$61,802,412</b>	

Note: Although Delgado Community College was allocated over \$12 million, the school submitted expenditures for reimbursement of only \$4.8 million during our audit period.

The six schools received FIPSE funds of approximately \$53.3 million (62 percent of the \$86.5 million allocated by the BOR). In addition, three of these schools, University of New Orleans, Delgado Community College, and Tulane University, received LOSFA funds of approximately \$3.3 million (39 percent of the \$8.5 million).

After reviewing the expenditure documentation, we determined that all six schools correctly used the FIPSE funds to reimburse their general funds for salaries and benefits already paid to faculty and staff. Additionally, the three schools that received LOSFA funds awarded the student incentives in accordance with the prescribed Rebuild criteria.

Although we were able to determine that funds were expended on allowable costs, the BOR should have required additional documentation to manage the day-to-day activities of the subgrantees. Requiring more detailed reporting, such as payment summaries, actual expenditure documentation, supporting documentation for a sample of reimbursement requests, or other documentation that would enable the BOR to exercise appropriate oversight could have strengthened controls.

The BOR explained that its staff would make a decision later whether they would review expenditure documentation at some of the schools. The BOR said it is waiting for the results of our audit and the State's current fiscal year audit being performed by the LLA. While reliance on our work and that of the LLA is reasonable, the BOR should have controls in place to ensure

that funds already disbursed and future requests are accurate and allowable. Without controls, there is no assurance that the remaining \$33 million of funding will be accurately reported and accounted for or that expenditures will be allowable under the applicable grant terms, laws, and regulations.

## Recommendations

We recommend that the Assistant Secretary for Postsecondary Education require the BOR to—

- 1.1 Review a sample of records from each school not reviewed by our office or the LLA to provide reasonable assurance that all claimed expenditures were allowable.
- 1.2 Return to the Department all funds for which expenditure documentation is inaccurate or inadequate.

## BOR Comments

The BOR agreed with the objectives of our recommendations, but it objected to our conclusion that BOR had inadequate controls. We have changed our conclusion from “controls were inadequate” to “controls should be strengthened.” BOR did not concur with our finding for the following reasons:

- *Criteria.* The BOR is not subject to 34 C.F.R. § 80.40(a), the criteria we cite in our report. It is excepted from that provision by 34 C.F.R. § 80.4(a)(1), which excludes grants and subgrants to State and Local institutions of higher education. The BOR was informed by the Department that its grant is subject primarily to 34 C.F.R. Part 76, and as such, the appropriate requirements for the BOR’s procedures to ensure compliance are in 34 C.F.R. § 76.770, which states—

Each State shall have procedures for reviewing and approving applications for subgrants and amendments to those applications, for providing technical assistance, for evaluating projects, and for performing other administrative responsibilities the State has determined are necessary to ensure compliance with applicable statutes and regulations.

The BOR’s administration of the grant funds meets this criteria. The Board has determined that certification on the invoices by the President or Chancellor of the institution and the Chief Financial Officer and subsequent site visits at selected institutions are adequate to meet these requirements in 34 C.F.R. Part 76.

- *Monitoring activities.* Though the BOR is not subject to requirements in 34 C.F.R. § 80.40(a), it does monitor the activities of institutions receiving grants. It states, “In addition to our auditing duties, the Board is in day to day contact with the sub-grantees providing technical assistance, assuring reporting compliance, and keeping abreast of their recovery status which is the performance goals of the fund.”

- *Timing of audit.* It is not accurate to find that the BOR has inadequate controls over accounting for its funds when the BOR's established controls are bypassed by the timing of the audit. The BOR should be allowed to complete its processes before being judged that they are inadequate. As evidenced by its audit program, it was always a part of BOR's plan to examine supporting documentation at selected institutions. In a conversation, the OIG agreed that "we would not be discussing this finding if you had come later once our process . . . was completed."
- *Not required to document.* The report indicates that the BOR should have required more detailed reporting from institutions, but there is no requirement for such documentation in advance of the release of funds. The information that the report requests is "verified through the sub-recipient monitoring process that is standard procedure." The BOR's practice has been specifically confirmed as acceptable by the BOR's contact for the grant at the Department, who stated, "You can have the institutions certify the amount of their draw downs. The institutions do not need to submit their receipts to you to validate their draw downs."

### OIG Response

Though we made minor revisions to our finding and recommendation for clarity, we have not changed their substance. Our responses to the BOR's comments are provided below:

- *Criteria.* If a state agency is subject to the requirements in 34 C.F.R. Part 76, Part 76 does not exempt the agency from compliance with 34 C.F.R. Part 80, which establishes uniform administrative requirements for grants to state and local governments. The exception in 34 C.F.R. § 80.4(a)(1) does not apply to BOR as BOR has received the grant as a state oversight agency, not an institution of higher education. Even if BOR qualified as an institution of higher education for purposes of this grant, BOR would then be subject to the requirements of 34 C.F.R. Part 74, which establishes uniform administrative requirements for grants to institutions of higher education. Part 74, in § 74.51(a), also requires monitoring of subawards. To better align with the monitoring criteria, we modified the summary of audit results and the caption to our finding.
- *Monitoring activities.* As of the date of this final report, we have no evidence that the BOR has made any on-site monitoring visit to any school. The BOR made large disbursements to schools on the basis of very limited supporting documentation. As we state in our report, requiring more detailed documentation could have strengthened controls over those disbursements of funds.
- *Timing of audit.* During the exit conference with BOR personnel, OIG personnel said that if we had come later and if BOR had carried out its monitoring procedures as it stated it would have done, then the finding we identified *may not* have been an issue. As coordinated with the President's Council on Integrity and Efficiency and the Office of Management and Budget, one of the purposes of this audit was to provide early oversight of the delivery of the emergency funds. As a result, our objectives were to assess the adequacy of the BOR's internal controls over the allocation of hurricane funding, accounting for the funds, and

compliance with laws and regulations. This included an assessment of the BOR's controls over the ongoing grant process, and as such, we needed to review the BOR's grant process as it was occurring. The finding in our audit was not affected by the audit's timing.

- *Not required to document.* The BOR is correct that it is not required to request from schools any of the specific documents we list. The requirements we cite from 34 C.F.R. § 80.40(a) do not specify individual activities or documentation, only that the grantee must monitor the day-to-day process to ensure compliance with applicable requirements and achievement of performance goals. The documents we list are examples of acceptable methods by which the BOR could have met this requirement. No individual type of activity or documentation is specified, but the BOR must meet the general requirement in some way, using procedures it determines appropriate. Additional documentation could be submitted with a funding request or at some other point that would allow BOR to conduct effective monitoring.

---

## OBJECTIVES, SCOPE, AND METHODOLOGY

---

The objectives of our audit were to assess the adequacy of the Louisiana Board of Regents (BOR) internal controls over (1) the allocation of hurricane assistance funding and the information provided by postsecondary institutions and (2) accounting for the funds and compliance with laws and regulations.

To accomplish our objectives, we assessed the BOR's internal controls over allocation of the funds and reviewed expenditure documentation at selected schools. We interviewed officials of the Department, the BOR, the LLA, the LOFSA, and selected schools. We reviewed numerous documents, including guidance from the Department to the BOR, the grant agreement between the Department and the BOR, the grant award notification, the BOR's funding allocation plan, the BOR's guidance to schools, contract requests for proposals, signed contracts, contract payment data, policies and procedures, employee payroll records, fringe benefit records, LOSFA's funding allocation plan, criteria and formulas used by schools to allocate LOSFA funds, and student eligibility and payment records for LOSFA funds.

We relied upon computer-processed data provided to us by the schools. To test the reliability and completeness of the data, we verified that the data for each person in our sample matched the appropriate source documents. Based on our testing, we concluded that the data provided to us was sufficiently reliable to use in meeting the audit's objectives.

To test expenditures for the \$86.5 million of FIPSE funds, we judgmentally selected six schools that received a majority of the funding – \$53.3 million (62 percent of the \$86.5 million). The schools selected for review were Tulane University, University of New Orleans, Delgado Community College, Loyola University, Xavier University, and Dillard University. At three of these schools—the University of New Orleans, Delgado Community College, and Tulane

University—we also tested expenditures of the \$8.5 million distributed through LOSFA for student incentives. Those three schools received \$3,282,712 (39 percent of the \$8.5 million).

To test the payment of salaries and benefits, we selected a random sample of 30 employees' payroll records at each of the six schools visited. To test the payment of student incentives, we selected a random sample of 15 student files at three of the six schools. We traced salary and student payment data through the appropriate accounting systems to confirm the accuracy of the data. We also reviewed fringe benefit records where applicable.

Our universe and sample sizes are shown below:

<b>School</b>	<b>Universe Size</b>	<b>Sample Size</b>
Tulane University	5,815	30
University of New Orleans	2,289	30
Delgado Community College	1,111	30
Loyola University	932	30
Xavier University	861	30
Dillard University	339	30
LOSFA - Tulane University	654	15
LOSFA - University of New Orleans	1,356	15
LOSFA - Delgado Community College	1,137	15

Although we found no problem with the allocation of the funds, we identified that internal controls could be strengthened in the areas of documentation and reporting of how funds were spent. This is discussed in detail in the AUDIT RESULTS section of this report.

We conducted our entrance conference with the BOR on March 1, 2006, and performed fieldwork there during the period March 1-8, 2006. We also performed fieldwork at the BOR, the LOSFA, and six schools on selected dates during the period June 5, 2006, through September 27, 2006. We held an exit conference with the BOR on November 16, 2006.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

---

## **ADMINISTRATIVE MATTERS**

---

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

James Manning  
Acting Assistant Secretary  
for Postsecondary Education  
U.S. Department of Education  
1990 K Street, NW  
Washington, DC 20006

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/  
Sherri L. Demmel  
Regional Inspector General  
for Audit

Attachment

*Pat A. Strong*  
Chair

*Scott O. Brume*  
Vice Chair

*Artist L. Terrell, Jr.*  
Secretary

*E. Joseph Savoie*  
Commissioner of  
Higher Education



**BOARD OF REGENTS**

P. O. Box 3677  
Baton Rouge, LA 70821-3677  
Phone (225) 342-4253, FAX (225) 342-9318  
[www.regents.state.la.us](http://www.regents.state.la.us)

January 31, 2007

*William D. Blake*  
*Richard E. D'Aquin*  
*Ingrid T. Labat*  
*Robert W. Levy*  
*W. Clinton Rasberry, Jr.*  
*Mary Ellen Roy*  
*William Clifford Smith*  
*Harold M. Stokes*  
*Roland Toups*  
*Terry C. Landry, Jr., Student Member*

Ms. Sherri L. Demmel  
Regional Inspector General for Audit  
1999 Bryan Street  
Suite 1440  
Dallas, Tx. 75201

Dear Ms. Demmel,

We are in receipt of your letter dated January 10, 2007, and draft audit report entitled Louisiana Hurricane Relief Funding in which your office is presenting the results of your audit of the \$95 million in special funding provided to the Louisiana Board of Regents (the Board) by the Federal Government. This report finds that the Board had "Inadequate Controls over Accounting for Funds" pursuant to 34 C.F.R. 80.40(a), a section of the federal code dealing with "Monitoring and reporting program performance". It should be noted that in the initial audit report that was issued to the Board and discussed at the exit conference on November 16, 2006, the USDOE's preliminary finding was that the Board had "Inadequate Controls over Accounting for Funds" pursuant to 34 C.F.R. 80.20(b)(7), a section of the federal code which specifically addresses "Standards for financial management systems". The Board disagreed with that finding and provided the attached letter and additional documentation, which supported our objections to Mr. (EDITED) on November 17, 2006 (Attachment 1).

Again, the Board does not concur with the latest finding as outlined in your January 10<sup>th</sup> letter that states that the Board had "Inadequate Controls over Accounting for Funds" pursuant to 34 C.F.R. 80.40(a) which states "Grantees are responsible for managing the day to day operations of grant and sub-grant supported activities. Grantees must monitor grant and sub-grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved". We believe that all of our objections and explanations enumerated in our letter to Mr. (EDITED) on November 17<sup>th</sup> apply to the new citation as well. Additionally, information provided below specifically addresses the new citation.

In a letter dated March 27, 2006 to Mr. (EDITED), Deputy Director for the Fund for the Improvement of Postsecondary Education of the USDOE (Attachment 2), the Board submitted seven questions for clarification in an effort to be fiscally responsible as we began to formulate the process and guidelines for the disbursement of the funds to the eligible institutions. Question number 2 states "The agreement between the United States Department of Education and the Louisiana Board of Regents for administration of the \$95,000,000 appropriation states under the

accountability section that ‘Louisiana shall use the supplemental funds in accordance with applicable provisions of 34 CFR Parts 74-99’. We believe that since this grant is considered a discretionary grant, that we are governed by 34 CFR Part 75. Is that belief correct? If so, those regulations state that allowable costs are specified at 34 CFR Part 74.27 (for administration of grants to institutions of higher education, or other non-profit organizations) and 34 CFR 80.22 (for uniform administrative requirements for grants and cooperative agreements to State and local governments).....” In an e-mail from Mr. (EDITED) dated April 13, 2006 (Attachment 3), Mr. (EDITED) responded that “The grant is a state grant subject primarily to 34 CFR 76. The cost principles are either IHEs (34 CFR 74.27) or State and Local Governments (34 CFR 80.22) depending on the sub-grantee.” With the above advice and direction from the USDOE, the Board proceeded to formulate the process and guidelines for the disbursement of the funds in accordance with 34 CFR 76 as applicable.

From the above guidance, the Board proceeded to develop procedures specifically under the guidance of 34 CFR 76.770 entitled “A State shall have procedures to ensure compliance”. This section states that “Each State shall have procedures for reviewing and approving applications for sub-grants and amendments to those applications, for providing technical assistance, for evaluating projects, and for performing other administrative responsibilities the **State has determined are necessary to ensure compliance** with applicable statutes and regulations”. The Board determined that invoices certified by the President or Chancellor of the institution and the Chief Financial Officer “that all expenditures reported or payments requested are appropriate, allowable purposes and in accordance with the provisions of the guidelines for proposal submission and the provisions of the award documents” and that a subsequent site visit review, as part of our policy on Sub-Recipient Monitoring for Federally Sponsored Projects and the Board of Regents Detailed Audit Program were appropriate to ensure compliance with applicable statutes and regulations. As was indicated in our November 17<sup>th</sup> response, these are the same procedures and controls as used by the federal government and the Board in the administration of all of its other federal grants and programs.

Again, we refer to our letter of November 17<sup>th</sup>, which refers to the timing of the USDOE audit and not being allowed to complete our own processes before being judged that they are inadequate. Further, 34 CFR 76.783 which spells out the sub-grantees opportunity for a hearing if it feels that the State took certain actions, implies that it is acceptable to use a final state audit to determine if the sub-grantee misspent or misapplied Federal funds. 34 CFR 76.783(a) states that “A sub-grantee may request a hearing if it alleges that any of the following actions by the State educational agency violated a state or Federal statute or regulation: (1) Ordering in accordance with a **final State audit** resolution determination, the repayment of misspent or misapplied Federal funds; or...”. Again, we appreciate the concerns of the USDOE to insure the proper use of these funds and the desire of your department to quickly assess the appropriateness and integrity of our policies and controls over these funds, but it should be recognized and acknowledged that those polices and controls must be allowed to be applied in their entirety before their effectiveness can be properly evaluated.

In your revised audit findings, you specifically reference 34 CFR. 80.40(a) which we would interpret does not apply to the Board under the guidance of 34 CFR 80.4(a)(1), which states that these sections do not apply to Higher Education Institutions. However, in direct response to that citation, the Board of Regents was and is still involved in the “day-to day operations of the grant and subgrant supported activities”. We are also continuing to “monitor grant and sub grant supported activities to assure compliance with applicable Federal requirements and that performance goals are

being achieved”. In our on-going procedures and controls, we are also covering “each program, function, or activity”. In your audit finding, you state that “Although we were able to determine that funds were expended on allowable costs, the BOR should have required additional documentation to manage the day-to-day activities of the sub grantees. Requiring more detailed reporting, such as payment summaries, actual expenditure documentation, supporting documentation for a sample of reimbursement requests, or other documentation that would enable the BOR to exercise appropriate oversight could have strengthened controls.” Again, as in all federal programs, there is no requirement for such documentation in advance of the release of funds. Those items are verified through the sub-recipient monitoring process that is standard procedure. This standard of practice has been specifically confirmed as acceptable for this grant by Mr. (EDITED), our grant award contact at the USDOE. His e-mail in response to the following question: “Is it your expectation that before we release any funds to our sub-grantee that we obtain supporting documentation such as actual receipts, payroll records, etc. or is it sufficient to have the institution certify that they are requesting reimbursement for expenditures already made within the guide of their approved budgets and that as part of our sub-recipient monitoring, we send auditors after the fact to verify the supporting documentation in our samples?” confirms our understanding of the appropriate procedures. This procedure was deemed particularly appropriate under the circumstances and conditions confronted by the Board and the sub-grantee institutions at that time, as we all struggled to maintain the viability and survival of postsecondary education institutions in the disaster-impacted areas of the state.

We again refer you to our policies and procedures and your acknowledgment and statement that the proposed finding is a result of the timing of the audit by the USDOE office and that we would not be discussing this finding if you had come later once our process, which includes sending our audit team to verify the data as allowed for in our policies, procedures, and controls, was completed. It is not accurate to find that the Board has inadequate internal controls when the controls and procedures were bypassed by the timing of your review. In addition to our auditing duties, the Board is in day to day contact with the sub-grantees providing technical assistance, assuring reporting compliance, and keeping abreast of their recovery status which is the performance goals of the funds.

Again, we submit that the Board’s internal controls, which are no different than those for this grant from the USDOE, were deemed strong and have been recommended to be used as a “best practice” example for other agencies by Mr. (EDITED), Special Agent in Charge of the Office of the Inspector General for the National Science Foundation. This validation of the Board’s control systems is included in the email from Mr. (EDITED) previously provided. As stated before, as you can see from the summary of the material that was provided to the National Science Foundation the Board of Regents’ complete process of sub-recipient monitoring and controls does provide all of the necessary documentation your review requires.

The finding also states that “the BOR explained that its staff would make a decision later whether they would review expenditure documentation at some of the schools.” In actuality, the Board staff stated that it would consider these funds as part of the Board’s overall audit plan and, based on risk assessment, previous coverage, etc., would determine which schools would be visited as part of the overall plan. As evidenced by the detailed audit program shared at the entrance conference, it was always a part of the plan to examine supporting documentation at the institutions selected.

Your report further states that “The BOR said it is waiting for the results of our audit and the State’s current fiscal year audit being performed by the LLA. While reliance on our work and that of the LLA is reasonable, the BOR should have controls in place to ensure that funds already disbursed and future requests are accurate and allowable.” Again, the Board does have the adequate controls, policies and procedures in place to ensure that funds already disbursed and future requests are accurate and allowable. It was the decision of the USDOE to send its auditors to audit before the cycle was complete. An assessment of controls, policies, and procedures should not be a function of the timing of your review. We had no problem with the timing of the review if it were just to assess the appropriateness of controls and procedures. However, the finding is based on the fact that we had not completed our sub-recipient monitoring. You will recall that your review began even before we had budget authority from the State of Louisiana to receive the funds in our budget. Based on the Board’s Annual Risk Assessment, the Board’s auditors are doing field work on the audits per our sub-recipient monitoring policy of funds passed through to our sub-recipients.

We again feel compelled to point out that our controls are the same as those for the federal government. A grantee requests reimbursement and certifies compliance with program requirements. Then, based on risk assessment, auditors proceed to ensure compliance with rules and regulations. In accordance with federal rules and regulations, our procedure is the same. The finding states that “without controls, there is no assurance that the remaining \$33 million of funding will be accurately reported and accounted for or that expenditures will be allowable under the applicable grant terms, laws and regulations.” We have and will continue to follow our audit procedures for pass-through funds which do insure that funding is accurately reported and accounted for. That will occur when our auditors complete their audit work based on the amounts of funds requested as reimbursement by the institutions under the overall audit plan.

In conclusion, let me say that the Board of Regents and its staff have practiced and continue to practice due diligence in their responsibilities for accounting for all federal funds. We respectfully request that you and the Office of Inspector General reconsider the finding of your review and recognize that the Board of Regents should be allowed to proceed with its internal controls, policies, and procedures and complete its own process. We also note that your recommendation is that the Assistant Secretary for the Office of Postsecondary Education require the BOR to review all schools not reviewed by your office or the LLA to ensure the allowability of claimed expenditures, and to return to the Department all funds for which expenditure documentation was inaccurate or inadequate. The Board of Regents agrees with the objectives that are being sought as a result of the recommendation and submit that our sub-recipient monitoring policies and procedures ensure adequate coverage of those institutions not visited by your office, as well as the institutions visited by your office.

Thank you for your consideration in this matter. If you have any further questions, please feel free to contact myself or Mrs. Wendy C. Simoneaux of my staff at 225-342-4253.

Sincerely,

E. Joseph Savoie  
Commissioner of Higher Education