SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2011
ISSUED APRIL 25, 2012

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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EXECUTIVE SUMMARY

Our procedures at the Southern University Law Center (Law Center) for the period July 1, 2010, through June 30, 2011, disclosed the following:

- Based on our audit, the Law Center's financial statements, as adjusted, are presented fairly.

- During our fiscal year 2011 audit of the Law Center, management could not provide us with proper support or approval for certain transactions and made significant errors and/or omissions in its annual fiscal report, which required adjustment. The Law Center also did not ensure that monthly fiscal periods were closed timely in the new financial accounting system, Banner.

- The Law Center failed to submit an annual agreed-upon procedures report on investment compliance to the Board of Regents (BOR) by October 31, 2011. The report for fiscal year 2011 was not issued until March 22, 2012, five months after the required BOR date.

- During the fiscal year ended June 30, 2011, the Law Center did not ensure that students were informed in a timely manner of the criteria and procedures for obtaining hardship waivers for operational fees. As a result, no students applied for and were awarded any waivers for the operational fee.

- The Law Center did not timely dispose of assets totaling $144,978 that were in a non-working condition as required by the Louisiana Property Assistance Agency.

This report is a public report and has been distributed to state officials. We appreciate the Law Center's assistance in the successful completion of our work.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 16, 2012

Independent Auditor's Report

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Southern University Law Center, a campus within the Southern University System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Southern University Law Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern University Law Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of the Southern University Law Center are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Southern University System that is attributable to the transactions of the Southern University Law Center. They do not purport to, and do not, present fairly the financial position of the Southern University System as of June 30, 2011, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

1600 NORTH THIRD STREET • POST OFFICE BOX 94397 • BATON ROUGE, LOUISIANA 70804-9397
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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern University Law Center as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2012, on our consideration of the Southern University Law Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 15 and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 40 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Daryl Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LA:BH:EFS:THC:dl

SULC 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of the Southern University Law Center (Law Center), an institution in the Southern University System, discusses the Law Center's financial performance and presents a narrative overview and analysis of the Law Center's financial activities and statements for the fiscal year ended June 30, 2011. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the Law Center. The primary financial statements presented are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. This document should be read in conjunction with the annual financial report of the Law Center.

FINANCIAL HIGHLIGHTS

The Law Center's net assets changed from $5,813,380 (restated) to $5,933,141 from June 30, 2010, to June 30, 2011. The increase is caused by the first year of implementation of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Law Center reported increases of $397,148 in Intangible Assets for fiscal year end June 30, 2011.

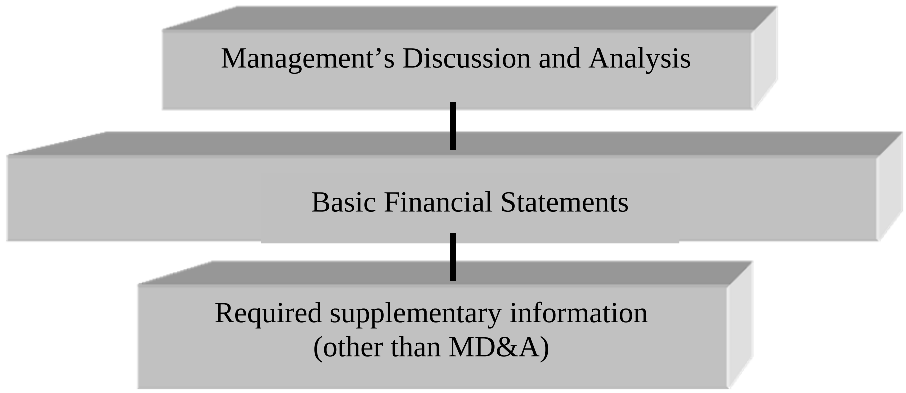
Based on comparative data for the fall semesters 2009 and 2010, the Law Center experienced an overall increase in enrollment. Enrollment increased from 598 to 718, an increase of 20.1%. The reason for this change is attributed to an increase in the enrollment of the Law Center's first-year and evening students.

The Law Center's operating revenues changed from $8,417,146 to $10,913,611, an increase of 29.7% from June 30, 2010, to June 30, 2011. The increase in operating revenues is attributed to the assessment of tuition increases approved by the Southern University's Board of Supervisors along with the increase in enrollment. Operating expenses increased by 5.2% from $15,321,480 (restated) for the fiscal year ended June 30, 2010, to $16,120,670 for the fiscal year ended June 30, 2011. The increase in operating expenses is attributed to expenditures in most of the Law Center's operating functions to meet the demands from increases in student enrollment. The Law Center's initial operating budget was reduced at mid-year resulting in an overall reduction in state funding of $73,350 for the 2010-11 fiscal year.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. Included under the category of non-operating revenues are American Recovery and Reinvestment Act (ARRA) funds, state appropriations, gifts, and net investment income. Net nonoperating revenues (expenses) including other nonoperating expenses and interest expense reflect an increase of 5.0% from $6,767,908 in 2010 to $7,123,824 in 2011. Most of the increase is directly attributed to the increase in ARRA funds of $578,107, or 53.7% from $1,077,517 in 2010 to $1,655,624 in 2011.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special-Purpose Governments Engaged in Business-Type Activities established by GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



This financial report consists of three sections: management's discussion and analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information. The basic financial statements present information for the Law Center as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets (page 16) presents the current and noncurrent assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Law Center is improving or deteriorating.

From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the Law Center. The financial statement readers are also able to determine how much the Law Center owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the Law Center.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (page 17) presents information showing how the Law Center's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

Statement of Cash Flows

The Statement of Cash Flows (pages 18-19) presents information showing how the Law Center's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the Law Center's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

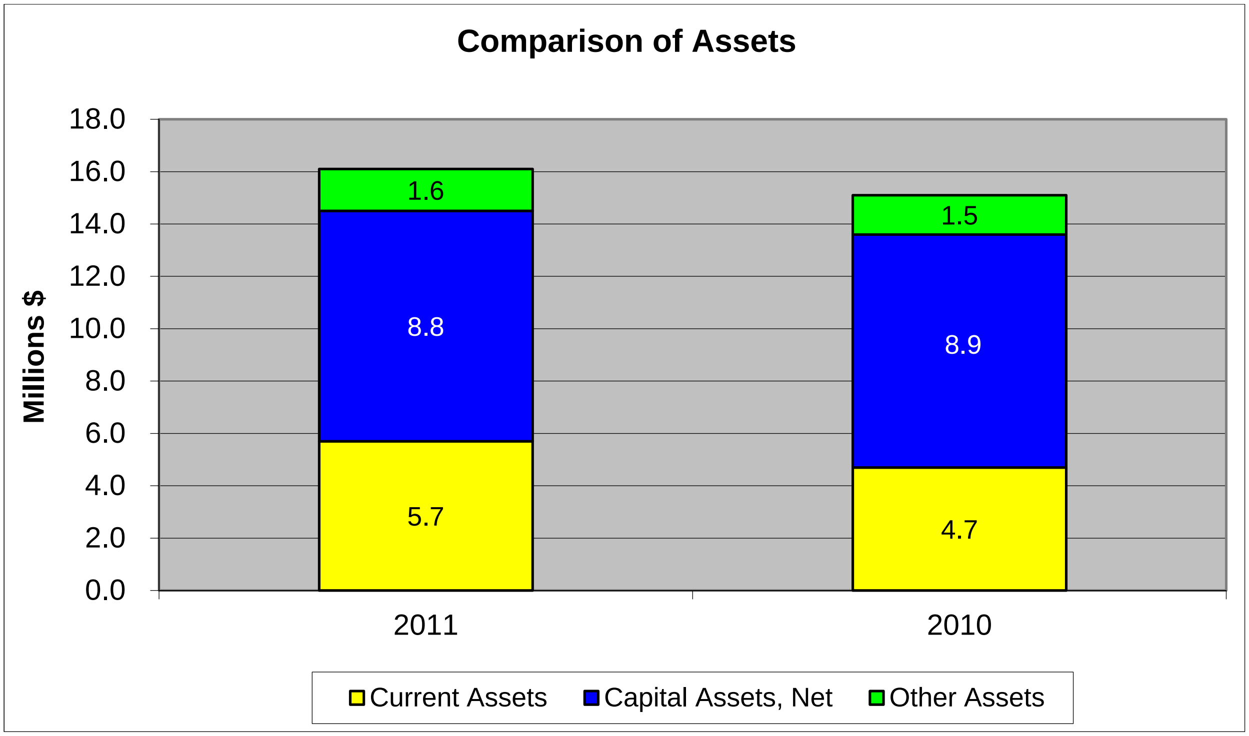
The financial statements for the Law Center are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Law Center are included in the Statement of Net Assets.

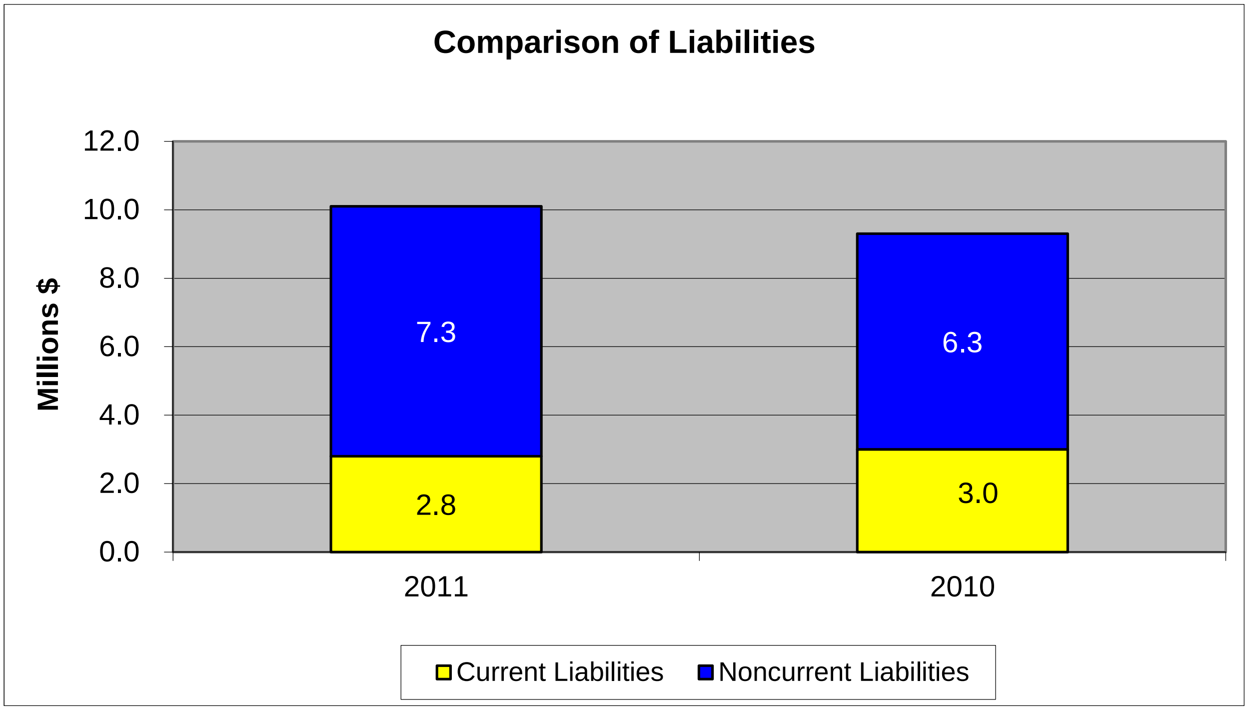
Categories of Net Assets

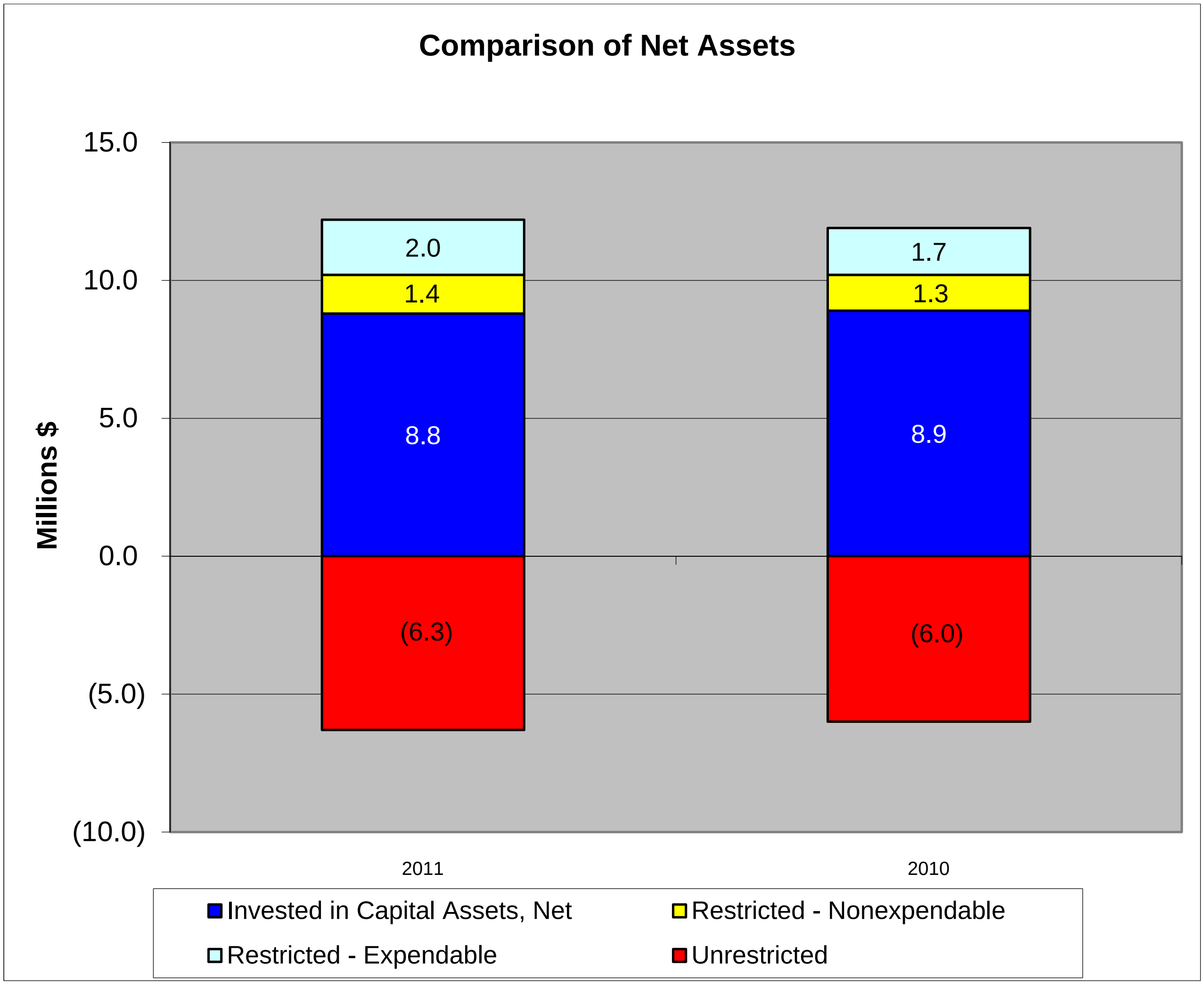
Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by the Law Center. The next asset category, restricted net assets, is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net assets are available for expenditure by the Law Center but must be spent for the purposes that are designated by donors or external entities that placed the time or purpose restrictions on the use of the assets. The final category, unrestricted net assets, is available to the Law Center to be used for any lawful purpose.

Comparative Statement of Net Assets
For the Fiscal Years as of
June 30, 2011 and 2010

	2011	2010 (Restated)	Percentage Change
Assets			
Current assets	$5,745,609	$4,747,470	21.0%
Capital assets, net	8,797,076	8,863,816	(0.8%)
Other noncurrent assets	1,555,652	1,470,861	5.8%
Total assets	16,098,337	15,082,147	6.7%
Liabilities			
Current liabilities	2,844,073	2,956,244	(3.8%)
Noncurrent liabilities	7,321,123	6,312,523	16.0%
Total liabilities	10,165,196	9,268,767	9.7%
Net Assets			
Invested in capital assets	8,797,076	8,863,816	(0.8%)
Restricted:			
Nonexpendable	1,363,750	1,303,750	4.6%
Expendable	2,035,659	1,693,589	20.2%
Unrestricted	(6,263,344)	(6,047,775)	3.6%
Total net assets	$5,933,141	$5,813,380	2.1%


Comparison of Assets
Millions $
18.0
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
1.6
8.8
5.7
1.5
8.9
4.7
2011
2010
Current Assets
Capital Assets, Net
Other Assets


Comparison of Liabilities
Millions $
12.0
10.0
8.0
6.0
4.0
2.0
0.0
7.3
2.8
6.3
3.0
2011
2010
Current Liabilities
Noncurrent Liabilities



These schedules are prepared from the Law Center's Statement of Net Assets which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

The total assets of the Law Center increased by $1,016,190, an increase of approximately 6.7%. The total liabilities of the Law Center increased by $896,429 or 9.7%. The consumption of assets follows the Law Center's philosophy to use available resources to acquire and improve programs to better serve the instruction, research and public service missions of these institutions.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the Law Center for both operating and nonoperating purposes. The statement includes any other revenues, gains, expenses, or losses that were realized or incurred by the Law Center during the fiscal year.

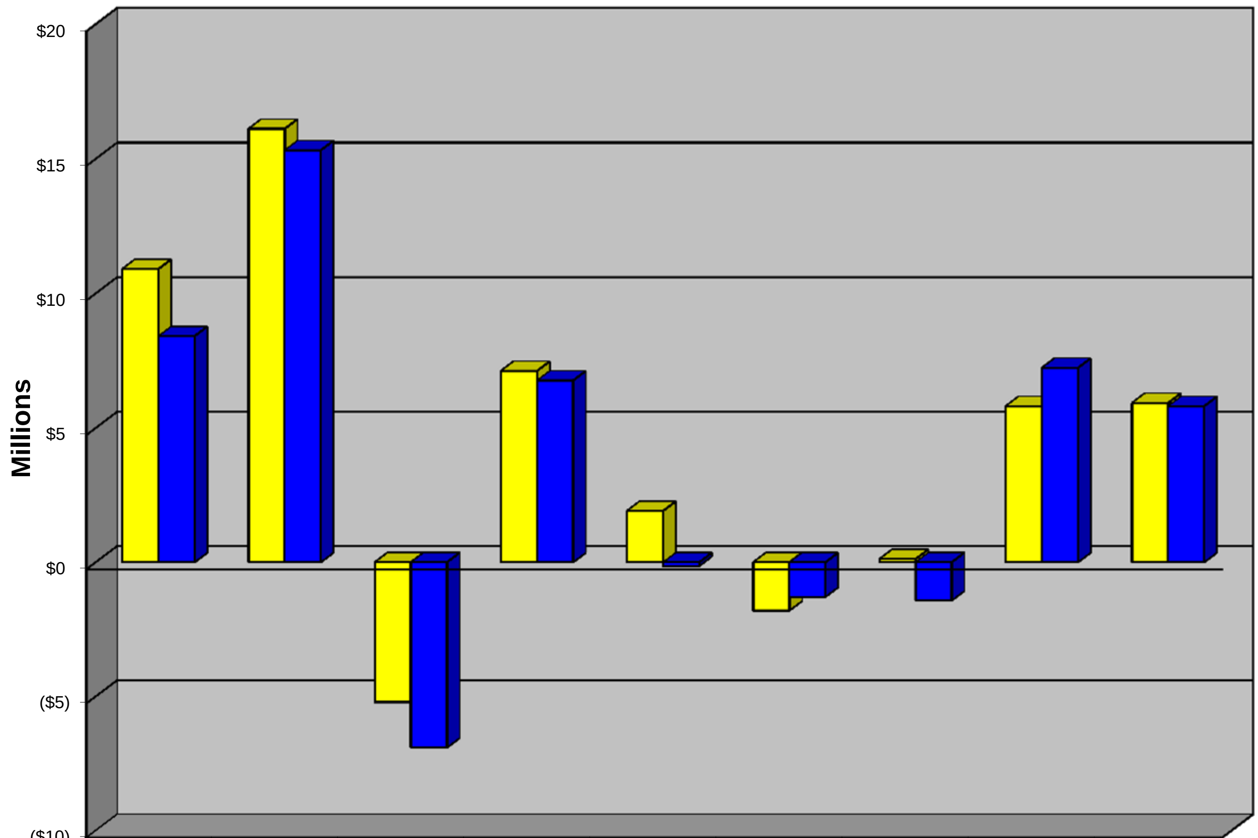
The operating revenues are received for providing goods and services to the various customers and constituencies of the Law Center. The operating expenses are those expenses incurred to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the Law Center. Nonoperating revenues are revenues received for which goods and services are not provided in an exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the legislature to the institutions even though the legislature does not receive, directly in return, goods and services for those revenues.

Comparative Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010 (Restated)	Percentage Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	$6,874,310	$4,543,067	51.3%
Federal grants and contracts	3,999,131	3,784,326	5.7%
Other operating revenues	40,170	89,753	(55.2%)
Total operating revenues	10,913,611	8,417,146	29.7%
Nonoperating revenues:			
State appropriations	5,460,920	5,226,946	4.5%
ARRA revenues	1,655,624	1,077,517	53.7%
Gifts	21,300	14,142	50.6%
Investment income (loss)	24,678	26,310	(6.2%)
Other nonoperating revenues		424,036	
Total nonoperating revenues	7,162,522	6,768,951	5.8%
Total revenues	18,076,133	15,186,097	19.0%
Operating expenses:			
Educational and general:			
Instruction	5,268,835	4,947,044	6.5%
Public service	262,580	476,179	(44.9%)
Academic support	3,075,457	2,207,117	39.3%
Student services	1,310,848	2,150,804	(39.1%)
Institutional support	3,502,508	3,407,758	2.8%
Operation and maintenance of plant	197,892	294,797	(32.9%)
Depreciation	1,181,014	1,093,647	8.0%
Scholarships and fellowships	1,321,536	744,134	77.6%
Total operating expenses	16,120,670	15,321,480	5.2%
Nonoperating expenses - interest expense		1,043	
Other nonoperating expenses	38,698		
Total nonoperating expenses	38,698	1,043	3,610.3%
Total expenses	16,159,368	15,322,523	5.5%
Income (loss) before other revenues and transfers	1,916,765	(136,426)	(1,505.0%)

	2011	2010 (Restated)	Percentage Change
Capital grants and gifts		$1,553	
Additions to permanent endowment		100,000	
Transfers out	($1,797,004)	(1,388,979)	29.4%
Other revenues and transfers, net	(1,797,004)	(1,287,426)	39.6%
Change in net assets	119,761	(1,423,852)	(108.4%)
Net assets at beginning of year, restated	5,813,380	7,237,232	(19.7%)
Net assets at end of year	$5,933,141	$5,813,380	2.1%

Comparative Graph of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2011 and 2010



	Operating Revenues	Operating Expenses	Operating Income (Loss)	Nonoperating Revenue (Expenses)	Expenses, Gains, and Losses	Other Revenues and Transfers	Increase (Decrease) in Net Assets	Net Assets at Beginning of Year	Net Assets at End of Year
2011	$10.9	$16.1	$(5.2)	$7.1	$1.9	$(1.8)	$0.1	$5.8	$5.9
2010	$8.4	$15.3	$(6.9)	$6.8	$(0.1)	$(1.3)	$(1.4)	$7.2	$5.8

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive change for the year. The net assets increased by $119,761 or 2.1% in 2011 compared to a decrease of $1,423,852 or 19.7% in fiscal year 2010. This is largely attributable to the increase in tuition and fees and the reporting of the annual Other Postemployment Benefits (OPEB) obligation as required by GASB 45, effective with the 2008 fiscal year. The Law Center is in the fourth year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The annual net change of $1,226,598 in the other postemployment obligation is reported in the respective operating functions on the Statement of Revenues, Expenses, and Changes in Net Assets. Other highlights of the information that have a significant impact on the amounts presented in the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- The Law Center received Board approval to increase tuition and fees by 10% per semester and its out-of-state tuition by $500 per semester.

- ARRA funds increased from $1,077,517 in 2010 to $1,655,624 in 2011.

- State mandated mid-year budget cuts of $73,350 in 2011 required management to implement cost reduction measures to proactively address budget cuts and reduce operating costs. The 2011 budget reductions impacted the Law Center in the following ways: vacant positions were frozen, existing salary and wages were frozen, cost reduction measures were implemented, and library and technology needs were reduced. Management of the Law Center implemented restructuring plans and other cost savings measures to ensure sustainable operations were maintained, and deficit spending was avoided. The Law Center leadership will continue to ensure that the mission, goals and core values of the institution remain strong.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Law Center reported a combined total of capital assets, net of accumulated depreciation at the 2011 year-end of $8,797,076 as compared to $8,863,816 restated balance at the 2010 year-end, reflecting a decrease of 0.8%. Major additions to the Law Center's capital assets during fiscal year 2011 included computer software of $463,339 and a backup generator of $126,265.

The total amount of long-term debt is $7,351,100 as detailed below. Of this amount, $29,977 is reported as current and is expected to be paid within one year. The Law Center's long-term debt is comprised of:

- Compensated absences - $909,846

- OPEB payable - $6,441,254

For additional information concerning capital assets and debt amortization, refer to notes 5 and 11 through 13 in the notes to the financial statements.

ECONOMIC OUTLOOK - SHORT-TERM

The Law Center is an American Bar Association Accredited Law School. In January 2011, the Law Center was unanimously admitted to the Membership of the American Association of Law Schools. The Law Center is currently preparing to submit an application for Southern Association of Colleges and Schools (SACS) accreditation after decoupling from the Baton Rouge campus in 2010, for purposes of SACS accreditation.

The declaration of financial exigency by Southern University A&M does not include the Law Center.

Management of the Southern University System (System), of which the Law Center is an institution, projects the university's overall financial position will remain stable, despite impending budget cuts. The current economic downturn is a global and national concern and is not unique to the System. The State of Louisiana has advised of another forthcoming budget reduction for the 2012 fiscal year because of a decrease in state revenues. Management of the System and the Law Center have implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the respective institutions are preserved. Management will continue to closely monitor available resources to ensure the System's ongoing ability to react to known and unknown internal and external issues in a prompt and positive manner.

The System and Law Center are currently migrating from the SCT Plus Legacy administrative system to SunGard Higher Education (SGHE) Banner Unified Digital Campus (UDC) administrative system. The Banner Finance and HR modules of the comprehensive unified digital campus solution have been implemented and went live July 2010. The Finance and HR modules are hosted by the Baton Rouge campus. The Student module, consisting of admissions, registrar's office, financial aid, housing and student accounts receivable went live in the spring of 2011. The "State of the Art" Banner System will add value to the System's administrative processes through improved efficiency and effectiveness of the administrative support services to our students, faculty, staff, and other constituencies.

ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES

The Law Center continues to take aggressive steps in its enrollment management and student retention programs and activities.

The approval of House Bill 1171 - LA GRAD Act (Louisiana Granting Resources and Autonomy for Diplomas Act) provided autonomy to the institutions' governing boards to approve tuition increases per certain performance standards. This approval provides flexibility to the System leadership in improving its enrollment management programs and activities.

The Southern University Board of Supervisors approved tuition increases for the Law Center, 5% as allowed per legislative authority and 5% per implementation of the LA GRAD Act effective fall 2010.

The Law Center has been required to increase its nonresident fee to the average of its peer institutions over a six-year period beginning with fiscal year ending 2012.

ECONOMIC OUTLOOK - LONG-TERM

The long-term outlook for the Law Center is good. The Law Center's enrollment and corresponding revenues have been on an upward trend over the past years, which is expected to continue. The Law Center's Evening Division has become a stable source of growth in enrollment and revenues during a period of uncertainty due to dwindling state revenues and a stagnant economy on both the state and national levels.

The limited availability of funding from the state and the anticipated withdrawal of the ARRA funding in fiscal year 2011-12 will pose a challenge for the Law Center. However, the management of the Law Center and the System remain optimistic that the economy will improve and our enrollment will continue to grow, allowing the System to continue to achieve its goals and mission as a Historically Black College and University (HBCU) System of higher education in the State of Louisiana.

CONTACTING THE LAW CENTER'S MANAGEMENT

The accompanying Law Center financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Law Center's finances and to show the Law Center's accountability and oversight for the money it receives. Questions about this report or the need for additional financial information can be addressed by contacting the following management personnel of the System:

System Contacts:

- Kevin Appleton, System Vice President for Finance and Business Affairs and Comptroller, Southern University and A & M College System, 4th Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5550

Law Center Contacts:

- Terry Hall, Associate Vice Chancellor for Financial Affairs at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 252, Baton Rouge, Louisiana 70813, phone number 225-771-2506

- Freddie Pitcher, Jr., Chancellor at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 263, Baton Rouge, Louisiana 70813, phone number 225-771-2552

- John Pierre, Vice Chancellor for Institutional Accountability and Evening Division at Southern University and A & M College Law Center, A. A. Lenoir Building, Room 250, Baton Rouge, Louisiana 70813, phone number 225-771-2552

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Statement of Net Assets
June 30, 2011

ASSETS	
Current assets:	
Receivables, net (note 4)	$399,264
Due from federal government (note 4)	4,407,601
Due from state treasury	903,711
Deferred charges and prepaid expenses	35,033
Total current assets	5,745,609
Noncurrent assets:	
Restricted cash and cash equivalents (note 2)	1,286,418
Restricted investments (note 3)	269,234
Capital assets, net (note 5)	8,797,076
Total noncurrent assets	10,352,728
Total assets	16,098,337
LIABILITIES	
Current liabilities:	
Accounts payable and accruals (note 6)	634,120
Due to other campuses	1,685,502
Deferred revenues (note 7)	451,987
Compensated absences (notes 8 and 13)	29,977
Other liabilities	42,487
Total current liabilities	2,844,073
Noncurrent liabilities:	
Compensated absences (notes 8 and 13)	879,869
Other postemployment benefits payable (notes 11 and 13)	6,441,254
Total noncurrent liabilities	7,321,123
Total liabilities	10,165,196
NET ASSETS	
Invested in capital assets	8,797,076
Restricted for:	
Nonexpendable (note 14)	1,363,750
Expendable (note 14)	2,035,659
Unrestricted	(6,263,344)
TOTAL NET ASSETS	$5,933,141

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

OPERATING REVENUES	
Student tuition and fees	$7,048,591
Less scholarship allowances	(174,281)
Net student tuition and fees	6,874,310
Federal grants and contracts	3,999,131
Other operating revenues	40,170
Total operating revenues	10,913,611
OPERATING EXPENSES	
Educational and general:	
Instruction	5,268,835
Public service	262,580
Academic support	3,075,457
Student services	1,310,848
Institutional support	3,502,508
Operation and maintenance of plant	197,892
Depreciation (note 5)	1,181,014
Scholarships and fellowships	1,321,536
Total operating expenses	16,120,670
OPERATING LOSS	(5,207,059)
NONOPERATING REVENUES (Expenses)	
State appropriations	5,460,920
ARRA revenues (note 18)	1,655,624
Gifts	21,300
Investment income	24,678
Other nonoperating expenses	(38,698)
Net nonoperating revenues	7,123,824
INCOME BEFORE TRANSFERS	1,916,765
TRANSFERS OUT	(1,797,004)
INCREASE IN NET ASSETS	119,761
NET ASSETS - BEGINNING OF YEAR (Restated) (note 15)	5,813,380
NET ASSETS - END OF YEAR	$5,933,141

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$6,928,017
Grants and contracts	3,959,914
Payments to suppliers	(2,165,545)
Payments to employees	(8,832,751)
Payments for benefits	(2,109,093)
Payments for scholarships and fellowships	(838,021)
Other receipts	177,881
Net cash used by operating activities	(2,879,598)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	4,588,195
Gifts and grants for other than capital purposes	21,300
Implicit loan reduction from other campuses	(370,710)
ARRA	1,655,624
Other payments	(2,949,976)
Net cash provided by noncapital financing activities	2,944,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(1,114,274)
Other sources	1,114,274
Net cash used by capital and related financing activities	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	19,956
Purchase of investments	(83,565)
Net cash used by investing activities	(63,609)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,226
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,285,192
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,286,418

(Continued)

The accompanying notes are an integral part of this statement.

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($5,207,059)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	1,181,014
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(98,757)
(Increase) in prepaid expenses	(10,628)
Increase in accounts payable	218,804
Increase in deferred revenue	19,324
(Decrease) in compensated absences	(208,894)
Increase in other postemployment benefits payable	1,226,598
Net cash used by operating activities	($2,879,598)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Net increase in the fair value of investments	$23,565

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Southern University Law Center (Law Center) is a separate campus within the Southern University System which is composed of several publicly supported institutions of higher education. The Southern University System is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the federal government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively. The Southern University System is comprised of six entities: Board and System Administration; Southern University and A&M College at Baton Rouge; Southern University Law Center; Southern University at New Orleans; Southern University at Shreveport; and Southern University Agricultural Research and Extension Center.

The Law Center offers a Jurist Doctorate degree (J.D.) through a full-time and a part-time day and evening program. A J.D. and Master of Public Administration joint degree is also offered by the Law Center and the Southern University Nelson Mandela School of Public Policy and Urban Affairs. During the summer, fall, and spring semesters of the 2010-2011 fiscal year, the Law Center conferred 151 degrees and student enrollment was approximately 1,669. The Law Center has 32 full-time and adjunct faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

The Law Center applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Law Center has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Law Center has elected not to apply FASB pronouncements issued after the applicable date.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The Law Center is a part of the System, which is considered a discretely presented component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) the state issues bonds to finance certain construction; and (4) the System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Law Center.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements within the System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the System and the state.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Law Center is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the Law Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; (4) inventories are recorded as expenditures at the time of purchase; and (5) carry forward of prior year funds is recognized as revenue in the current year. The other funds of the Law Center, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH AND CASH EQUIVALENTS

The System defines cash as cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits and repurchase agreements. Under state law, the Law Center may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Law Center may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all certificates of deposit, regardless of maturity. The Law Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. These terms are also used in preparing the Statement of Cash Flows. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

F. RESTRICTED CASH AND INVESTMENTS

Cash and cash equivalents and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as noncurrent restricted assets. Noncurrent restricted investments also include endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. All cash and university investments are classified as noncurrent assets in the Statement of Net Assets.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the Law Center is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift or endowment instrument or bond indenture. Investments maintained in investment accounts in the Southern University System Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

G. CAPITAL ASSETS

The Law Center follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy. Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the Law Center's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million is also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of $5 million or more will be capitalized and depreciated.

H. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before the end of the fiscal year but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

I. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having nonexempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and unclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave that would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits for the Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System, but not for the Optional Retirement System.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

K. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences and other postemployment benefits that will not be paid within the next fiscal year.

L. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

(a) *Invested in capital assets* consists of the Law Center's total investment in capital assets, net of accumulated depreciation. The Law Center does not have any outstanding debt obligations related to capital assets.

(b) *Restricted - nonexpendable* consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(c) *Restricted - expendable* consist of resources that the Law Center is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) *Unrestricted* consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the Law Center and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Law Center's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

M. CLASSIFICATION OF REVENUES AND EXPENSES

The Law Center has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- *Operating revenue* includes activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances and most federal, state, and local grants and contracts and federal appropriations.

- *Nonoperating revenue* includes activities that have the characteristics of nonexchange transactions, such as state appropriations, gifts and contributions, investment income, and grants that do not have the characteristics of exchange transactions.

- *Operating expenses* generally include transactions resulting from providing goods or services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.

- *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

N. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services (tuition and fees) provided by the Law Center and the amount that is paid by students and/or third parties making payments on the students' behalf.

O. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2011, the Law Center implemented the following accounting standards:

- GASB Statement No. 59, *Financial Instruments Omnibus,* updates and approves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of Statement No. 59 had no impact on the financial statements or notes.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. ELIMINATING INTERFUND ACTIVITY

Activities among the Law Center and the Law Center's departments are eliminated for the purpose of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

2. CASH AND CASH EQUIVALENTS

At June 30, 2011, the Law Center has cash and cash equivalents (book balances) totaling $1,286,418 as follows:

Demand deposits	$535,213
Time certificates of deposit	751,205
Total	$1,286,418

These cash and cash equivalents are reported on the Statement of Net Assets as follows:

Noncurrent assets - restricted	$1,286,418

Custodial credit risk is the risk that in the event of a bank failure, the university's deposits may not be recovered. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The pledged securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2011, the university has $751,205 in deposits (collected bank balances) for certificate of deposits, which are secured from risk by federal deposit insurance plus pledged securities. In addition, the university has $535,213 in deposits (book balances) pooled with Southern University's General Operating Account, which are secured from risk by federal deposit insurance plus pledged securities.

3. INVESTMENTS

At June 30, 2011, the Law Center has investments totaling $269,234 as follows:

	Fair Value June 30, 2011	Investment Maturities (Years)	Credit Quality Rating
Investments held by private foundation:			
Corporate bonds	$64,306	1.8	
U.S. government agencies	66,198	4.1	
U.S. government obligations	11,379	0.7	
Equities	79,237	Not Applicable	
Money market mutual fund	48,114	Not Applicable	
Subtotal - external investment pool	269,234		Not Rated
Total	$269,234		

These investments are reported on the Statement of Net Assets as follows:

Noncurrent assets - restricted	$269,234

The investments are reported at fair value as required by GASB Statement No. 31.

Investments held by the Southern University System Foundation are in an external investment pool, which is not SEC registered, but is managed in accordance with the terms outlined in a management agreement executed between the System and the Southern University System Foundation. The System is a voluntary participant in the agreement and the fair value of the System's position in the pool is equal to the value of the pool shares.

The investments held by the private foundation totaling $269,234 are held pursuant to the Endowed Chairs for Eminent Scholars Program and Endowed Professorships Program. For these programs, the investment policy established by the Louisiana Board of Regents states that the overall average credit quality rating of the fixed income securities must be at least AA. In addition, the Board of Regent's investment policy states that investments in foreign stocks are limited to 15% of the fund. The System's investment policy limits its investments of fixed income securities in investments of federal government and agency issues and to corporate issues having credit ratings of A to AAA. There are no formally adopted investment policies regarding interest rate risk, custodial credit risk, credit risk of debt investments, concentration of credit risk, or foreign currency risk.

4. RECEIVABLES

Receivables as shown on Statement A, net of an allowance for doubtful accounts, are composed of the following:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	$177,919		$177,919
Federal grants and contracts	4,407,601		4,407,601
Accrued interest receivable	25,064		25,064
Other	196,281		196,281
Total	$4,806,865	NONE	$4,806,865

There is no noncurrent portion of accounts receivable.

5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2011, is as follows:

	Balance June 30, 2010	Prior Period Adjustments	Adjusted Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:							
Land	$5,868	($5,868)					
Construction-in-progress		223,191	$223,191		($223,191)		
Total capital assets not being depreciated	$5,868	$217,323	$223,191	NONE	($223,191)	NONE	NONE
Capital assets being depreciated:							
Buildings	$11,760,774		$11,760,774	$9,340			$11,770,114
Less accumulated depreciation	(5,061,996)		(5,061,996)	(209,752)			(5,271,748)
Total buildings	6,698,778	NONE	6,698,778	(200,412)	NONE	NONE	6,498,366
Equipment (including library books)	34,446,440	($71,175)	34,375,265	864,786		($109,434)	35,130,617
Less accumulated depreciation	(32,475,905)	42,487	(32,433,418)	(905,071)		109,434	(33,229,055)
Total equipment	1,970,535	(28,688)	1,941,847	(40,285)	NONE	NONE	1,901,562
Software				240,148	$223,191		463,339
Less accumulated depreciation				(66,191)			(66,191)
Total software	NONE	NONE	NONE	173,957	223,191	NONE	397,148
Total capital assets being depreciated	$8,669,313	($28,688)	$8,640,625	($66,740)	$223,191	NONE	$8,797,076
Capital assets summary:							
Capital assets not being depreciated	$5,868	$217,323	$223,191		($223,191)		
Capital assets being depreciated	46,207,214	(71,175)	46,136,039	$1,114,274	223,191	($109,434)	$47,364,070
Total cost of capital assets	46,213,082	146,148	46,359,230	1,114,274	NONE	(109,434)	47,364,070
Less accumulated depreciation	(37,537,901)	42,487	(37,495,414)	(1,181,014)	NONE	109,434	(38,566,994)
Capital assets, net	$8,675,181	$188,635	$8,863,816	($66,740)	NONE	NONE	$8,797,076

6. ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of the Law Center's payables and accruals at June 30, 2011:

Vendor payables	$399,760
Accrued salaries and payroll deductions	234,360
Total	$634,120

7. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2011:

Prepaid tuition and fees	$419,158
Grants and contracts	32,829
Total	$451,987

8. COMPENSATED ABSENCES

At June 30, 2011, employees of the Law Center have accumulated and vested annual leave, sick leave, and compensatory leave of $354,004; $555,395; and $447, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

9. PENSION PLANS

Plan Description. Substantially all employees of the Law Center are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. Both plans provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after five years of service for TRSL and after 10 years of service for LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of employee plan members and the Law Center are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. For fiscal year 2011, the state is required to contribute 20.2% of covered salaries to TRSL and 22% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRSL for the years ended June 30, 2011, 2010, and 2009 were $617,501; $456,712; and $484,939, respectively, and to LASERS for the years ended June 30, 2011, 2010, and 2009 were $437,805; $394,018; and $359,039, respectively, equal to the required contributions for each year.

10. OPTIONAL RETIREMENT PLAN

TRSL administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for five or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 sets the contribution requirements of the plan members and the Law Center equal to the contribution rates established for the regular retirement plan of TRSL. Total contributions by the Law Center are 20.2% of the covered payroll for fiscal year 2011. The participant's contribution of 8%, less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $319,404 and $126,496, respectively, for the fiscal year ended June 30, 2011.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - Employees of Law Center voluntarily participate in the State of Louisiana’s health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the State of Louisiana’s Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy’s Web site at www.doa.la.gov/osrap.

Funding Policy - The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Law Center are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Health Maintenance Organization (HMO) plan, and the Medical Home HMO Plan. OGB also offers a Consumer Driven Health Plan with a Health Savings Account option (CDHP-HSA) to active employees. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans—three HMO plans during calendar years 2010 and 2011, two private fee-for-service (PFFS) plans during calendar year 2010, and two PPO plans during calendar year 2011.

Employees hired before January 1, 2002, pay approximately 25% of the cost of medical coverage (except single retirees under age 65 pay approximately 25% of active employee cost). Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate upon retirement based on the following schedule:

Service	Retiree Share	State Share
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

Shown below are the total monthly premium rates in effect for the plan year 2010-11.

	PPO	HMO	Medical Home HMO Plan	CDHP-HSA
Active				
Single	$559	$528	$532	$434
With Spouse	1,187	1,121	1,130	921
With Children	681	644	649	529
Family	1,251	1,182	1,192	971
Retired No Medicare & Re-employed Retiree				
Single	$1,039	$985	$990	N/A
With Spouse	1,835	1,739	1,748	N/A
With Children	1,158	1,097	1,102	N/A
Family	1,826	1,731	1,739	N/A
*Retired, with 1 Medicare				
Single	$338	$326	$322	N/A
With Spouse	1,249	1,191	1,189	N/A
With Children	585	561	557	N/A
Family	1,664	1,585	1,584	N/A
*Retired, with 2 Medicare				
With Spouse	$607	$584	$578	N/A
Family	752	723	716	N/A

*All members who retire on or after July 1, 1997, must have Medicare Parts A and B to qualify for the reduced premium rates.

	Calendar Year 2011		Calendar Year 2010	
	Retired with		Retired with	
Medicare Supplemental Rates	1 Medicare	2 Medicare	1 Medicare	2 Medicare
Humana (HMO Plan)	$145	$290	$149	$298
People's Health (HMO Plan)	115	230	142	284
Vantage (HMO Plan)	258	516	198	396
Humana (PFFS Plan)	N/A	N/A	165	330
Humana (PPO Plan)	149	298	N/A	N/A
Secure Horizons (PFFS Plan)	N/A	N/A	199	397
United Health Care (PPO Plan)	199	397	N/A	N/A

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total monthly premium is approximately $1 per thousand dollars of coverage of which the employer pays fifty cents for retirees and twelve cents for spouses. The monthly premium is reduced to less than $1 per thousand for retired employees age 70 and over. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability - The Law Center's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement 45, which was initially implemented for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL) over a period of 30 years. A 30-year open amortization period has been used. The total ARC for fiscal year 2011 is $1,338,297.

Normal cost	$646,227
Interest	51,473
Amortization of the UAAL	640,597
Annual required contribution	$1,338,297

The following schedule presents the components of the Law Center's OPEB obligation for fiscal year 2011:

ARC	$1,338,297
Interest on net OPEB obligation	210,606
ARC adjustment	(201,190)
Annual OPEB cost	1,347,713
Contributions made - current year retiree premiums	(121,115)
Increase in net OPEB obligation	1,226,598
Beginning net OPEB obligation, June 30, 2010	5,214,656
Ending net OPEB obligation, June 30, 2011	$6,441,254

The Law Center's annual OPEB cost contributed to the plan using the pay-as-you-go method and the net OPEB obligation for the fiscal year ended June 30, 2011, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$2,093,805	9.1%	$3,812,212
June 30, 2010	1,524,461	8.1%	5,214,656
June 30, 2011	1,347,713	9.0%	6,441,254

Funded Status and Funding Progress - Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, during fiscal year 2011, neither the Law Center nor the State of Louisiana contributed to it. Since no contributions were made, the Law Center's entire actuarial accrued liability (AAL) of $16,969,645 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2010, was as follows:

AAL	$16,969,645
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability (UAAL)	$16,969,645
Funded ratio	0%
Covered payroll (active plan members)	$6,244,429
UAAL as a percentage of covered payroll	271.8%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2010, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 8.0% and 9.1% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's UAAL is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience.

12. CONTINGENT LIABILITIES AND RISK MANAGEMENT

The Law Center is involved in two lawsuits or claims against it at June 30, 2011, which is not handled by contracted attorneys. Lawsuits and claims not handled by contracted attorneys are handled by the Attorney General's office or the state's self-insurance fund that is operated by the Office of Risk Management (ORM). Any losses resulting from these lawsuits and claims would be paid by ORM or through General Fund appropriations.

The amount of settlements paid in the last three years did not exceed insurance coverage.

13. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in the Law Center's long-term liabilities for the fiscal year ended June 30, 2011:

	Balance, June 30, 2010	Additions	Reductions	Balance, June 30, 2011	Amounts Due Within One Year
Compensated absences payable	$1,118,740		($208,894)	$909,846	$29,977
OPEB payable	5,214,656	$1,548,903	(322,305)	6,441,254	
Total long-term liabilities	$6,333,396	$1,548,903	($531,199)	$7,351,100	$29,977

14. RESTRICTED NET ASSETS

The Law Center has the following restricted net assets at June 30, 2011:

Nonexpendable - endowments	$1,363,750
Expendable:	
Gifts, grants, and contracts	$231,999
Endowment income	155,746
Student fees	785,660
Student loans	24,071
University plant projects	802,027
Debt service requirements	36,156
Total expendable	$2,035,659

Of the total net assets reported in the Statement of Net Assets as of June 30, 2011, a total of $1,235,978 is restricted by enabling legislation.

15. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement B have been restated to reflect the following adjustments:

Net Assets at June 30, 2010	$5,624,745
Capital asset adjustment	188,635
Net Assets at June 30, 2010, as restated	$5,813,380

16. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Southern University System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2011, net appreciation of donor restricted endowments is equal to $11,281, which is available to be spent for restricted purposes. The Law Center limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

17. DEFERRED COMPENSATION PLAN

Certain employees of the Law Center participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report of the Plan, available from the Louisiana Legislative Auditor's Web site at www.lla.la.gov.

18. AMERICAN RECOVERY AND REINVESTMENT ACT

American Recovery and Reinvestment Act expenses incurred in fiscal year 2011 consisted of the following program and amount:

Program - State Fiscal Stabilization Fund	$1,655,624

19. LEASE OBLIGATIONS

Operating Leases

For the fiscal year ended June 30, 2012, total operating lease expenditures was $155,439. There were no future minimum annual rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011.

20. SUBSEQUENT EVENTS

The State of Louisiana has continued to experience decreases in state revenues that have resulted in decreased funding for the 2012 fiscal year. The Law Center has implemented approved restructuring plans to ensure that current operations are sustained and the missions and goals of the Law Center are not negatively impacted. Management does not anticipate that the 2011-2012 mandated budget cuts will significantly impact the Law Center's overall mission and goals. Management will continue to closely monitor available resources to ensure the Law Center's ongoing ability to react to known and unknown internal and external issues in a prompt manner.

SCHEDULE

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

SOUTHERN UNIVERSITY LAW CENTER
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan For the Fiscal Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2008	NONE	$24,673,136	$24,673,136	0%	$6,215,172	397.0%
July 1, 2009	NONE	19,149,932	19,149,932	0%	6,021,413	318.0%
July 1, 2010	NONE	16,969,645	16,969,645	0%	6,244,429	271.8%

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 16, 2012

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

SOUTHERN UNIVERSITY LAW CENTER
SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the financial statements of the Southern University Law Center (Law Center), a campus within the Southern University System, which is a component unit of the State of Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated April 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Law Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Law Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Law Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Law Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed in the following paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal controls over financial reporting.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

Inaccurate Annual Fiscal Report Preparation

During our fiscal year 2011 audit of the Law Center, management could not provide us with proper support or approval for certain transactions and made significant errors and/or omissions in its annual fiscal report (AFR), which required adjustment. The Law Center also did not ensure that monthly fiscal periods were closed timely in the new financial accounting system, Banner.

A review of the fiscal year ending June 30, 2011, financial information included the following:

Inadequate Support

- Nine expense transactions, totaling $1,005,212, were supported by management with unapproved journal vouchers.

- During our review of deferred revenue, the Law Center was unable to locate student fees collected for the Student Bar Association in its financial system used to prepare the AFR. This resulted in a potential understatement of approximately $42,000.

Errors and Omissions

- On the Statement of Net Assets, the Law Center understated current cash and cash equivalents by $1,685,502, which resulted in a negative cash balance.

- On the Statement of Cash Flows, the Law Center improperly reported $370,710 of the decrease in due to other campuses as other receipts/payments from operating activities when it should have been reported in non-capital financing activities as an implicit loan from other campuses. In addition, the Law Center overstated the net increase in fair value of investments by $60,000.

- On the financial statement's related note disclosures:

    - The Law Center reported negative cash as deposits in note C.1, which understated cash by $1,685,502.

    - The Law Center incorrectly included equities totaling $127,351 in interest rate risk of debt investments in note C.4.b. In addition, the Law Center did not disclose investments held by the foundation of $269,234 as investments in pools managed by others in note C.6.a.

    - The Law Center did not disclose $155,439 of fiscal year 2011 total operating lease expenditures in note P.

    - The Law Center did not disclose the breakdown of compensated absences by annual, sick, and compensatory leave. The understatements were $354,004, $555,395, and $447, respectively.

The Southern University System implemented Banner Finance and HR/Payroll system in July 2010; however, the Law Center did not close the monthly fiscal periods 1 (July 2010) through 11 (May 2011) until July 18, 2011, leaving prior fiscal periods open for up to 12 months after the fiscal period ended. Fiscal period 12 (June 2011) was closed on November 30, 2011, five months after the fiscal period ended. Furthermore, changes and updates to the Banner system's fiscal period 00, which reflects beginning balances, occurred throughout the fiscal year 2011 and continued into fiscal year 2012. Good business practice would ensure that monthly fiscal periods are closed timely in the accounting system to ensure that no further changes can be made to the period and that other business functions can be performed timely and accurately.

Failure to close monthly fiscal periods causes the Law Center delays in completing its financial statements in a timely manner and delays the completion of other critical business practices, such as bank reconciliations, in an accurate and timely manner. It also increases the risk that transactions could be posted to incorrect periods and creates inefficiencies and delays in the audit of the Law Center financial statements and in the compilation and audit of the Southern University System financial statements.

The Law Center's management has not placed sufficient emphasis on ensuring that accounting periods were closed timely and financial information included in the AFR was properly prepared and reviewed for errors or omissions. In addition, management failed to provide appropriate supporting documentation for some of the items reported in its AFR and related note disclosures.

The Law Center's management should develop written procedures to ensure accurate and complete financial information is included in the AFR, the AFR is reviewed for accuracy, and the fiscal periods are closed timely after the end of the accounting periods. Management should also ensure supporting documentation is maintained and contain proper approvals for transactions that are included in its AFR. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, pages 1-4).

Additional Comments: Management concurred that it did not document its approval of the journal vouchers noted in the finding but indicated that the preparation was authorized by management. Without the proper documentation of management's approval of journal vouchers, unauthorized transactions and/or inaccurate information could be entered into the system and not be detected or corrected.

Management also indicated that it prepared two presentations of the AFR and that the presentation was consistent with last year. The AFR presented for audit included negative cash. Although management did report negative cash last year, an audit adjustment was accepted by management to correct the presentation of negative cash. In addition, management indicated that the operating leases were not reported in the note disclosure because the cost has always been reported with Southern University - Baton Rouge. Since the Law Center is now requiring an opinion on its financial statements, all Law Center activity should be reported separately from the Southern University System activity in accordance with generally accepted accounting principles.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Law Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Noncompliance With Board of Regents Endowment Requirements

The Law Center failed to submit an annual agreed-upon procedures report to the Board of Regents (BOR) by October 31, 2011. This report is required by the BOR to assess an institution's compliance with the investment terms and conditions of BOR's Endowment Investment Policy and whether the program was accurately reported.

The report for fiscal year 2011 was not issued until March 22, 2012, five months after the required BOR date. According to the independent auditor contracted to conduct the agreed-upon procedures engagement, he was unable to issue the report timely because of management's failure to provide the supporting documentation he requested.

The BOR's Statement of Investment Policy governs the management of the Endowed Chair, the Endowed Professorship, and the Endowed Scholarship Programs' investment assets, including the funds contributed by BOR and the funds contributed by educational institutions participating in the Endowment program. The BOR Investment Policy requires an institution to submit an annual agreed-upon procedures report by October 31 of each year. In addition, if program assets are held by a foundation associated with a public institution of higher education, the report shall also be forwarded to the Legislative Auditor's office. Furthermore, it requires the participant to contract annually with an independent auditor or the Legislative Auditor to make certain representations and certifications regarding the program.

The report's untimeliness inhibits the assessment of the institution's compliance with the investment terms and conditions of BOR's Endowment Investment Policy and whether the program was reported accurately. Furthermore, failure to timely submit the required report to the BOR results in noncompliance with BOR's endowment requirements that could affect eligibility to participate in the Endowed program.

The Law Center's management should ensure compliance with the requirements of BOR's Investment Policy and ensure that Endowment program reports are submitted timely. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

Noncompliance With Louisiana Law for Fee Waivers

During the fiscal year ended June 30, 2011, the Law Center did not establish procedures to ensure that students were informed in a timely manner of the criteria and procedures for obtaining hardship waivers for operational fees. As a result, no students applied for and were awarded any waivers for the operational fee. The only waivers students were informed of were tuition increase waivers.

Louisiana Revised Statute 17:3351(A)(5)(d) establishes an operational fee and criteria for waiving the fee in cases of financial hardship. Failure to ensure that students are notified timely of the availability of all waivers and the application process for hardship waivers results in noncompliance with state law and may cause a financial loss for students who were eligible for the waivers.

The Law Center should establish a system-wide method of notifying students timely of the availability of waivers for all applicable fees and should ensure that this information can easily be accessible by the students. Management did not concur with the finding. Management's response indicated that students are notified of fee waivers on the Law Center's Web site; that even though the policy is titled Tuition Increase Hardship Waivers, sections 2 and 4 of the policy are referring to the operational fee; and that no students qualified for the operational fee waiver because they did not apply for all types of financial aid offered (see Appendix A, pages 6-7).

Additional Comments: The "Tuition Increase Hardship Waiver Policy and Guidelines" states that students must complete a Tuition Hardship Appeals Form and submit it to the Vice Chancellor for Academic Affairs. Based on interviews with the Vice Chancellor for Academic Affairs, who approves waivers, the Vice Chancellor was not aware of the operational fee waiver.

The Law Center's Web site only refers to the "Tuition Increase Hardship Waiver Policy and Guidelines" which does not specifically address operational fee waivers. Furthermore, the Tuition Hardship Appeals Form is only for tuition increase waivers and does not address other fees that are causing a financial hardship.

Weakness Over Movable Property

The Law Center did not timely dispose of assets that were in a non-working condition. In a test of 17 movable property items, six (35%) assets were in a non-working condition and a request for disposal had not been sent to the Louisiana Property Assistance Agency (LPAA). These assets, with an original cost totaling $144,978, were in non-working condition ranging from two months to six years. The property control manager was notified of the assets' condition on June 13, 2011; however, the property manager did not complete the transfer report until July 12, 2011, approximately three weeks over the time established by Louisiana Administrative Code (LAC) Title 34, Section 305(G).

LAC Title 34, Part VII, Section 305(G) requires that the property manager submit to LPAA, within a week of being notified, each idle or surplus item within the agency for disposition by completing a transfer form. Failure to timely dispose of assets causes management to be in noncompliance with LAC Title 34 and increases the risk that assets could be misstated in the financial statements.

The Law Center should implement controls to ensure its staff notifies the property control manager immediately when assets cease to be functional and that the property control manager timely submits the proper information to LPAA. Management did not concur with the finding (see Appendix A, pages 8-9).

Additional Comments: The Law Center indicated in its response that for items 1 and 2, the Law Center was waiting on appropriate replacements and that the items were part of a system and could not be removed arbitrarily. At the time the auditor observed the items, they had been removed from service and were located on the IT director's desk to be surplused. These items were not surplused until four weeks later. According to university personnel, the items were not in working condition for six to eight months before the date the auditor observed them.

The Law Center indicated in its response that item 3 could not be surplused until a new system was purchased. However, at the time the auditor observed the item, it was not in working condition and was being stored in a warehouse. According to university personnel, items are stored in the warehouse when they are no longer functioning or needed. University personnel indicated that this item was not in working condition for two to three months before the date the auditor observed it.

The Law Center indicated in its response that items 4 and 5 were kept to enable re-using the rack. However, these items had individual tag numbers and should have been surplused when the items were taken out of service. At the time the auditor observed the items, they were being stored in a closet because they were not functioning. According to university personnel, these items had not been in working condition for six years.

The Law Center indicated in its response for item 6 that the Law Center was exploring the possibility of finding a vendor that could fix the system. However, at the time the auditor observed the item, it was not in working condition and was being stored in a warehouse. According to university personnel, the item was not in working condition for six months before the date the auditor observed it.

The Law Center's responses to the findings identified previously are attached in Appendix A. We did not audit the Law Center's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Law Center, its board of directors, its management, others within the Southern University System, the Louisiana Board of Regents for Higher Education, and the Louisiana Legislature and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LA:BH:EFS:THC:dl

SULC 2011

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

SOUTHERN UNIVERSITY LAW CENTER
261 A. A. LENOIR HALL
POST OFFICE BOX 9294
BATON ROUGE, LOUISIANA 70813-9294

OFFICE OF THE CHANCELLOR
(225) 771-2552
FAX (225) 771-2474

April 05, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Southern University Law Center
Response to FYE June 30, 2011 Audit Finding: Inaccurate Annual Fiscal Report Preparation

Dear Mr. Purpera:

Regarding the above referenced audit finding our response is as follows:

Inadequate Support

Audit Finding

- Nine expense transactions, totaling $1,005,212, were supported by management with unapproved journal vouchers.
- During our review of deferred revenue, SULC was unable to locate student fees for the Student Bar Association in their financial system used to prepare the AFR. This resulted in a potential understatement of approximately $42,000

Management's Response

Unapproved Journal Vouchers

Senior Management did not sign the printed copy of the journal voucher indicating approval. However, senior management initiated and authorized the preparation and recording of $934,184 and middle management initiated and recorded the balance of $66,191 for these journal vouchers. In addition, middle management prepared all Journal Vouchers.

Also, it should be noted that all transactions referenced in the above journal vouchers had adequate documentation in support of all amounts recorded.

Student Bar Association Fees

The accounting distribution for Student Bar Association Fees could not be located in its designated account due to a coding error. However, this was the only instance of its kind out of all fees tested, which indicates it was an isolated incident.

Errors and Omissions

Audit Finding

- On the Statement of Net Assets, SULC understated current cash and cash equivalents by $1,685,502, which resulted in a negative cash balance.
- On the Statement of Cash Flows, SULC improperly reported $370,710 of the decrease in Due to other campuses as other receipts/payments from operating activities when it should have been reported in non-capital financing activities as an implicit loan from other campuses. In addition, SULC overstated the net increase in fair value of investments by $60,000.
- On the financial statement's related note disclosures:
  - SULC reported negative cash as deposits in Note C.1, which understated cash by $1,685,502.
  - SULC incorrectly included equities totaling $127,351 in interest rate risk of debt investments in Note C.4.b. In addition, SULC did not disclose investments held by the foundation of $269,234 as investments in pools managed by others in Section 6.a of Note C.4.D.
  - SULC did not disclose $56,770 of fiscal year 2012 through 2014 future rental payments pertaining to Xerox equipment lease as well as $217,317 of fiscal year 2011 total operating lease expenditures in Note P.
  - SULC did not disclose the breakdown of compensated absences by annual, sick, and compensatory leave. The understatements were $354,004, $555,395, and $447 respectively.

The Southern University System implemented Banner Finance and HR/Payroll system in July 2010; however, SULC did not close the monthly fiscal periods 1 (July 2010) through 11 (May 2011) until July 18, 2011, leaving prior fiscal periods open for up to 12 months after the fiscal period ended. Fiscal period 12 (June 2011) was closed on November 30, 2011, five months after the fiscal period ended. Furthermore, changes and updates to the Banner system's fiscal period 00, which reflects beginning balances, occurred throughout the fiscal year 2011 and continued into fiscal year 2012. Good business practice would ensure that monthly fiscal periods are closed timely in the accounting system to ensure that no further changes can be made to the period and that other business functions can be performed timely and accurately.

Failure to close monthly fiscal periods causes SULC delays in completing their financial statements in a timely manner and delays the completion of other critical business practices, such as bank reconciliations, in an accurate and timely manner. It also increases the risk that transactions could be posted to incorrect periods and creates inefficiencies and delays in the audit of the SULC financial statements and in the compilation and audit of the Southern University System financial statements.

SULC Management has not placed sufficient emphasis on ensuring that accounting periods were closed timely and financial information included in the AFR was properly prepared and reviewed for errors or omissions. In addition, management failed to provide detailed supporting documentation for some of the items reported in its AFR and related note disclosures.

SULC's management should develop written procedures to ensure accurate and complete financial information is included in the AFR, the AFR is reviewed for accuracy, and the fiscal periods are closed timely after the end of the accounting periods. Management should also ensure supporting documentation is maintained and contain proper approvals for transactions that are included in its AFR.

Management's Response

Statement of Net Assets

The Statement of Net Assets had two (2) presentations which presented the net negative Cash and cash equivalents balance and presented the Due to other campuses balance. The purpose of the presentations was to facilitate the combination of the system's financial statements. The presentation of net negative cash was consistent with last year's presentation, until SU System's management discussed and requested the reclassification to due to other campuses. Also, the audit finding as stated tends to lead the reader to believe that a cash balance in excess of $1,685,502 would otherwise exist, instead of a zero balance.

Statement of Cash Flows

The Statement of Cash Flows reported amount of $370,710 is directly related to the presentation of negative cash balance in the Statement of Net Assets.

The $60,000 represented the costs portion of the total increase in investments for the year which should not have been included with the net increase in fair value of investments.

Financial Statement's Related Note Disclosures

Net negative cash in Note C.1 is related to the disclosure in the Statement of Net Assets.

Equities of $127,351 were included in Note C.4.d. to indicate that all investments had been accounted for. However, beside the value of $127,351 the N/A notation was made. The last schedule in note C.2. Indicates total investments held by foundation on behalf of SULC.

Operating lease expenditures of $155,439 were not reported in Note P because this cost has always been reported by SUBR. This presentation is consistent with last year's report.

The components amounts for Compensated Absences were not reported in the notes to the financial statements as required. However, the current, non-current and total liability for compensated absences was reported.

Management has and will continue to place greater emphasis on providing accurate and timely financial information and reports. In addition to performing internal secondary reviews, management is giving consideration to including an external secondary review of the annual financial report to ensure a higher degree of accuracy.

Thank you for your assistance.

Sincerely,

Freddie Pitcher Jr.

Freddie Pitcher, Jr. (Judge Ret.)
Chancellor

SOUTHERN UNIVERSITY LAW CENTER
261 A. A. LENOIR HALL
POST OFFICE BOX 9294
BATON ROUGE, LOUISIANA 70813-9294

OFFICE OF THE CHANCELLOR
(225) 771-2552
FAX (225) 771-2474

April 3, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Southern University Law Center
Response to FYE June 30, 2011 Audit Finding: Noncompliance with Board of Regents Endowment Requirements

Dear Mr. Purpera:

Regarding the above referenced audit finding our response is as follows:

Audit Finding

The Southern University Law Center (SULC) did not comply with the Louisiana Board of Regents (BOR) Endowment requirements by failing to submit an annual agreed-upon procedures report to BOR by October 31, 2011. This report is required by BOR to assess an institution's compliance with the investment terms and conditions of BOR's Endowment Investment Policy and whether the program was accurately reported.

Management Corrective Action Plan

Management will ensure that there will be appropriate coordination with system, who initiates the engagement, and the Law center, in order to submit the required report to the Board of Regents by the required submission date.

Thank you for your assistance.

Sincerely,

Freddie Pitcher, Jr. (Judge Ret.)
Chancellor

SOUTHERN UNIVERSITY LAW CENTER
261 A. A. LENOIR HALL
POST OFFICE BOX 9294
BATON ROUGE, LOUISIANA 70813-9294

OFFICE OF THE CHANCELLOR
(225) 771-2552
FAX (225) 771-2474

November 9, 2011

VIA UNITED STATES MAIL AND FACSIMILE
Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, La 70804-9397

Re: Audit Finding of Noncompliance with Operational Fee Waiver Pursuant to R.S. 17:3351(A)(5)(d)

Dear Mr. Purpera:

I have reviewed the audit finding of noncompliance regarding the operational fee waiver provision of R.S. 17:3351(A) (5) (d) and submit that we disagree with the finding. In doing so, I reiterate Associate Vice Chancellor Hall's response to this same finding by stating that students are given notification of fee waivers on the Southern University Law Center's Web-Site 365 days a year 24 hours per day. In addition, prior to each semester, notification of hardship fee waivers are streamed on the video monitors throughout the Law Center.

Although the waiver and policy guidelines' title specifically reference Tuition Increase Hardship, all mandatory attendance fees are referenced under item no. 2, Waiver Policy, and item no. 4, Guidelines for Waiver. Moreover, operational fee waivers were not awarded because students did not qualify under item no. 3.e. "Have accepted all types of financial aid offered". The great majority of students applying for hardship fee waivers had not applied and/or accepted the Grad Plus Loan.

Because all waivers are referenced under one heading, we will break each of the waivers out under its own separate heading in order to make easier for students to follow. Associate Vice Chancellor Terry Hall will work with our IT Department to make this happen. We will have this completed before the beginning of the 2012 Spring Semester.

Also note that the Southern University Board of Supervisors approved the Law Center's Tuition and Fees Waiver Policy at its meeting of August 26, and made it retroactive to an effective date of July 1, 2010.

Should you have any additional questions, please feel free to contact me regarding same.

Sincerely,

Freddie Pitcher, Jr.

Freddie Pitcher, Jr.
Chancellor - SULC

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Re: SULC Response to Audit Finding of Noncompliance with Louisiana Administrative Code (LAC) Title 34 for failure to dispose of nonworking assets in a timely fashion.

Dear Mr. Purpera:

We do not agree with your finding because of the comments listed below:

Items 1 & 2 could not be surplused until appropriate replacements were ordered, received and installed. These items are part of a system and could not be remove arbitrarily.

Item 3 could not be surplused until a new backup system was purchased. Even though the system was not capable of performing backups, we have data on backup tapes and we could not surplus them until a new system was ordered, received, installed and data extracted.

Items 4 and 5 were kept to enable re-using the rack since racks are expensive. Subsequently, when there was a need for additional racks, and the width of the rack did not match the current standard, we decided to surplus it. The IT section at SULC is a small unit so the need for a rack doesn't arise as often as in larger IT departments. In addition, the rack with the SCSI CD structure is very heavy, and it was not feasible to move it until a truck was available for transport directly to state surplus. At that time the system was removed.

For Item 6 when system malfunctioned we called the vendor and found out at that time that the company was no longer in business. We then explored the possibility of finding other sources to see whether we could fix the system. For a time we were able to revive and use the system. When the system failed again and could not be repaired we purchased another system and sent this one to state surplus.

"An Equal Educational Opportunity Institution"

Should you have any additional questions, please feel free to contact me regarding same.

Sincerely,

Freddie Pitcher, Jr.
Chancellor - SULC