

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Southern University at New Orleans  
State of Louisiana  
Baton Rouge, Louisiana

December 15, 1999



**Investigative Audit**

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**Daniel G. Kyle, Ph.D., CPA, CFE**  
**Legislative Auditor**

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### **LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

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# **Southern University at New Orleans**

**December 15, 1999**



**Investigative Audit  
Office of the Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**



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OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
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December 15, 1999

**DR. LEON R. TARVER, II, PRESIDENT,**  
**AND MEMBERS OF THE BOARD OF SUPERVISORS**  
**SOUTHERN UNIVERSITY SYSTEM**  
Baton Rouge, Louisiana

Transmitted herewith is our investigative report on Southern University at New Orleans. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendation as well as management's response. Copies of this report have been delivered to the Honorable Harry S. Connick, Sr., District Attorney for Orleans Parish, and others as required by state law

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

AFB:DGP:SED:dl

[SOUTHERN]

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# Executive Summary

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## Investigative Audit Report Southern University System

The following summarizes the finding and recommendation as well as management's response that resulted from this investigation. Detailed information relating to the finding and recommendation may be found at the page number indicated. Management's response may be found at Attachment I.

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### Video Game Collections Not Deposited

(Page 1)

**Finding:**

From July 1995 through September 9, 1999, the Southern University at New Orleans - University Center collected \$39,312 from its video game operations; however, only \$11,622 was deposited into the university's accounts. The remaining \$27,690 was not deposited. Mr. Louis McMillion, Director of the University Center, admitted that he failed to deposit video game collections and used the funds for his own personal use.

**Recommendation:**

We recommend that the University review all of its collection procedures and ensure that appropriate checks and balances are in effect to ensure that all University Center revenues are properly collected, recorded, and deposited. In addition, we recommend that the District Attorney of Orleans Parish review this information and take appropriate legal action, to include seeking restitution.

**Management's Response:**

The University concurs, based upon the oral and written confession of Mr. Louis McMillion, Director of the University Center, that from July 1995 through September 1999, video game collections were not properly deposited.

1. The University has reviewed all of its collections procedures and has placed into effect appropriate checks and balances to ensure that all University Center revenues are properly collected, recorded, and deposited.
2. The University will refer this matter to the Orleans Parish District Attorney's Office for review and action, with a request for payment of restitution.



3. The University has terminated the employment of Mr. Louis McMillion effective December 8, 1999, subject to approval of the President and recommendation of the Board.
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# Background and Methodology

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Southern University at New Orleans is a component of the Southern University System. The university is under the management and supervision of the Southern University Board of Supervisors. Southern University System is composed of campuses located in Baton Rouge, New Orleans, and Shreveport-Bossier City. Southern University at New Orleans (SUNO) was founded as a branch of Southern University and Agricultural and Mechanical College, Baton Rouge, on September 4, 1956.

Each semester SUNO offers approximately 400 courses, services nearly 5,000 students, and maintains a faculty of 270 instructors. SUNO's present physical plant consists of 13 buildings, located on 61 acres, at an acquisition cost of \$32 million. SUNO is an open admissions institution offering a range of basic degree programs in the liberal arts and sciences, business, education, and the technologies, and a graduate degree program in social work.

SUNO also supports the campus University Center. The University Center provides entertainment opportunities and facilities to students and faculty. The Legislative Auditor obtained certain information indicating that University Center funds had not been properly deposited into university accounts. This investigation was conducted to determine the propriety of this information.

Our procedures consisted of (1) interviewing employees of SUNO; (2) interviewing other persons as appropriate; (3) examining selected documents and records of SUNO; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable state and federal laws.

The result of our investigative audit is the finding and recommendation herein.



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# Finding and Recommendation

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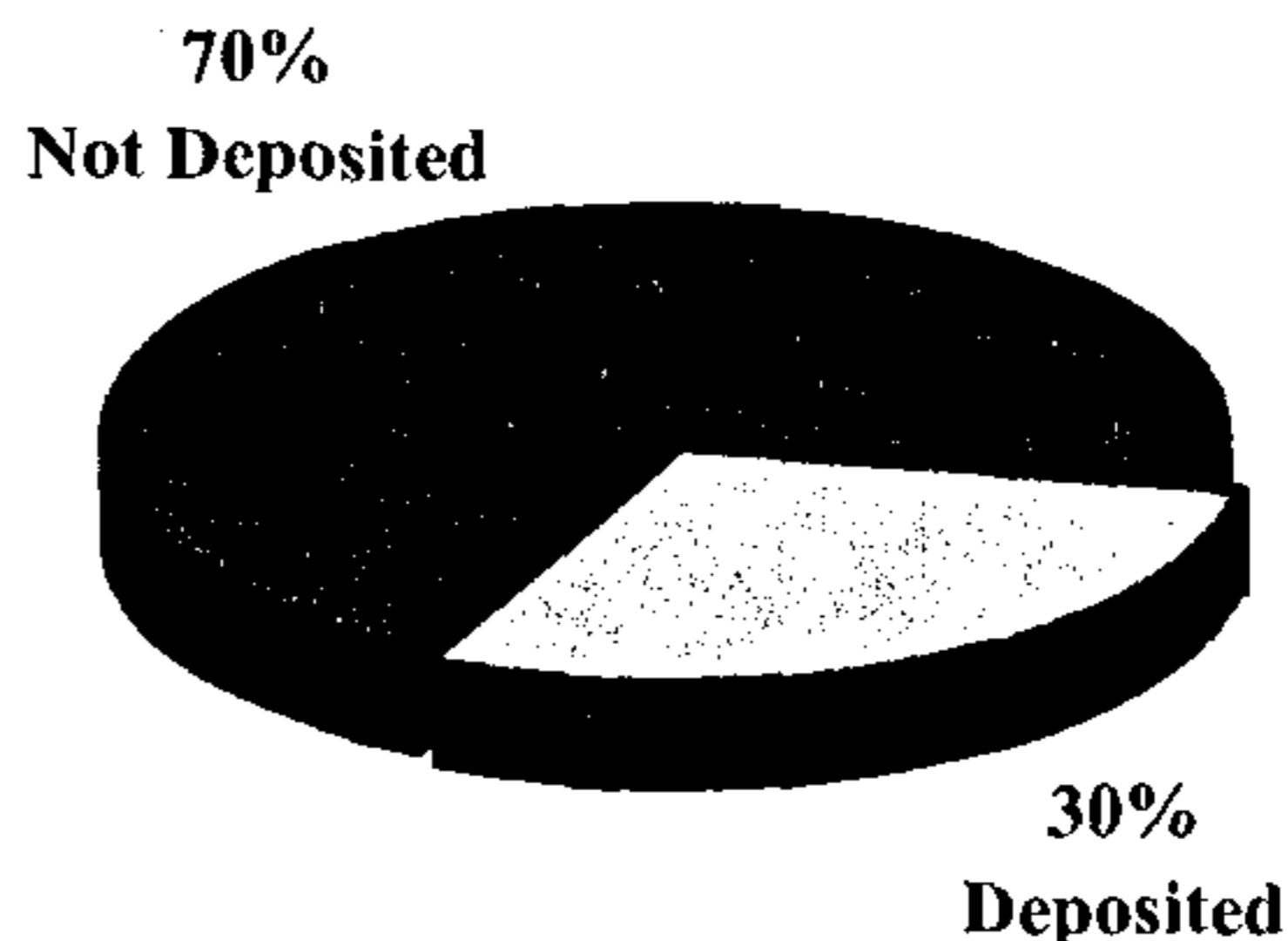
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## VIDEO GAME COLLECTIONS NOT DEPOSITED

**From July 1995 through September 9, 1999, the Southern University at New Orleans - University Center collected \$39,312 from its video game operations; however, only \$11,622 was deposited into the university's accounts. The remaining \$27,690 was not deposited. Mr. Louis McMillion, Director of the University Center, admitted that he failed to deposit video game collections and used the funds for his own personal use.**

The University Center provides entertainment opportunities for students and faculty. The University Center collects revenues through its coin-operated video games, copy machine, billiard tables, table tennis, bowling, swimming pool rentals, building rentals, vendor space rentals, and popcorn sales. From July 1995 through September 9, 1999, video game revenues accounted for a substantial portion of the University Center's income. The University Center contracts with New Orleans Novelty Company, Inc., (Novelty) to provide and service its video games. The contract provides that the University Center is to receive 50% of the revenues generated by the coin-operated video games. The machines are periodically emptied by Novelty employees who make a record of the total collections and the appropriate distribution to the University Center. Before October 1999, the university's share was given to the Director of the University Center, Mr. Louis McMillion. Mr. McMillion was responsible for depositing the funds with the university Comptroller's office. Records obtained from Novelty indicate that the University Center's share of the collections for the period July 1995 through September 9, 1999, amounted to \$39,312. However, university records show that only \$11,622 of this amount was deposited into university accounts. The remaining \$27,690 was not deposited.

On November 17, 1999, Mr. McMillion informed us that he collected the funds from Novelty but periodically failed to deposit the funds with the comptroller. He stated that he used these funds for personal purposes. Though Mr. McMillion stated that he has no idea as to the amount, he agreed that he began keeping these funds for his personal use during July 1995.



These actions indicate Mr. McMillion may have violated one or more of the following laws:

- R.S. 14:67, "Theft"
- R.S. 14:134, "Malfeasance in Office"
- R.S. 42:1461(A), "Obligation Not to Misuse Public Funds"

Subsequent to the beginning of our investigation, the university has begun requiring that Novelty remit the university's share of video proceeds, by check, directly to the comptroller. We recommend that the university review all of its collection procedures and ensure that appropriate checks and balances are in effect to ensure that all University Center revenues are properly collected, recorded, and deposited. In addition, we recommend that the District Attorney for Orleans Parish review this information and take appropriate action, to include seeking restitution.

**Attachment I**  
**Management's Response**



**SOUTHERN UNIVERSITY AT NEW ORLEANS**

6400 Press Drive  
New Orleans, LA 70126  
(504) 286-5311  
FAX (504) 284-5500

**OFFICE OF THE CHANCELLOR**

December 9, 1999

Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Attached for your review and consideration is the University's response to the Legislative Investigative Report as related to video game collections.

Should you have any questions, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerald C. Peoples".

Gerald C. Peoples  
Chancellor

GCP/ama  
A:30\Kyle.3

Attachment

xc: Dr. Leon R. Tarver II (w/att.)

**SOUTHERN UNIVERSITY AT NEW ORLEANS**  
**Response to Investigative Audit Report FYE June 30, 1999**

**TO:** Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor

**FROM:** Gerald C. Peoples, Ph.D.  
Chancellor

**DATE:** December 9, 1999

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**FINDING**

Video game collections not deposited.

**RESPONSE**

The University concurs, based upon the oral and written confession of Mr. Louis McMillion, former Director of the University Center, that from July 1995 through September 1999, video game collections were not properly deposited.

**CORRECTIVE ACTION**

1. The University has reviewed all of its collection procedures and have placed into effect appropriate checks and balances to ensure that all University Center revenues are properly collected, recorded, and deposited.
2. The University will refer this matter to the Orleans Parish District Attorney's Office for review and action, with a request for payment of restitution.
3. The University has terminated the employment of Mr. Louis McMillion effective December 8, 1999, subject to approval of the President and recommendation of the Board.

END



**Attachment II**  
**Legal Provisions**

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# Legal Provisions

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The following legal citations are referred to in the Finding and Recommendation section of this report:

**R.S. 14:67** provides that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

**R.S. 14:134** provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

**R.S. 42:1461(A)** provides that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

