

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Manufacturing Extension Partnership  
of Louisiana Center  
University of Louisiana at Lafayette  
State of Louisiana  
Lafayette, Louisiana

March 31, 2000



***Financial and Compliance Audit Division***

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

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

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**MANUFACTURING EXTENSION PARTNERSHIP  
OF LOUISIANA CENTER  
STATE OF LOUISIANA  
Lafayette, Louisiana**

**Financial Statements and  
Independent Auditor's Report  
For the Three Years Ended September 30, 1999**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

**March 31, 2000**

**MANUFACTURING EXTENSION PARTNERSHIP  
OF LOUISIANA CENTER  
UNIVERSITY OF LOUISIANA AT LAFAYETTE  
STATE OF LOUISIANA**

**Financial Statements and  
Independent Auditor's Report  
For the Three Years Ended September 30, 1999**

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OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

March 15, 2000

Independent Auditor's Report on  
Applying Agreed-Upon Procedures

**DR. RAY P. AUTHEMENT, PRESIDENT**  
**UNIVERSITY OF LOUISIANA AT LAFAYETTE**  
**STATE OF LOUISIANA**  
Lafayette, Louisiana

As requested by the university, we have performed the procedures enumerated below, which were agreed to by management of the University of Louisiana at Lafayette. This engagement was performed solely to assist management in evaluating the effectiveness of (1) management's internal control over financial reporting as of September 30, 1999, based on the preparation of the Statement of Revenues and Expenditures of the Manufacturing Extension Partnership of Louisiana Center (MEPoL) program on the accrual basis of accounting as set forth in the AICPA Industry Audit Guide, *Audits of Colleges and Universities* and the National Association of College and University Business Officers publication, *College and University Business Administration*, and (2) management's internal control that must be applied to ensure compliance with certain federal standards of the MEPoL program for the period beginning September 30, 1996, (inception) and ended September 30, 1999. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the University of Louisiana at Lafayette. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

**STATEMENT OF REVENUES AND EXPENDITURES**

1. We obtained the university's organization charts included with the approved operating plans for the MEPoL program and inquired of management as to whether there were any changes, additions, and/or deletions since it was submitted.

The following exception was noted as a result of this procedure:

- There were several positions added for the MEPoL program during the three years ended September 30, 1999, and these changes were not formally approved by the federal agency at the time of addition.

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**DR. RAY P. AUTHEMENT, PRESIDENT  
UNIVERSITY OF LOUISIANA at LAFAYETTE  
STATE OF LOUISIANA**

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However, they were formally approved with the submission of the subsequent years operating plan.

We found no other exceptions as a result of this procedure.

2. We obtained written representation from management as to the fair presentation of the monthly Statements of Receipts and Disbursements of the MEPoL program. We verified the mathematical accuracy of the amounts on the statements.

The following was noted as a result of this procedure:

- The university transferred state funds of \$410,000, \$410,000, and \$635,000, respectively, to the MEPoL program for the fiscal years ended September 30, 1997, 1998, and 1999.

The following exceptions were noted as a result of these procedures:

- The MEPoL financial statements were presented on the cash basis of accounting for fiscal years ended September 30, 1998, and September 30, 1997.
- Adjustments were required to record accruals for \$243,048 and \$18,306, respectively, for Revenues and Expenditures presented on Statement A for the fiscal year ended September 30, 1999.
- The university's books and records did not properly reflect the actual receipts and disbursements for the MEPoL program. Adjustments were required for the following:
  - To reclassify receipts recorded as Federal that should have been recorded as State/ULL for \$225,000.
  - To reclassify receipts recorded as Client Fees/Membership that should have been recorded as Federal for \$211,867.
  - To reclassify disbursements charged to Personnel that should have been charged to Professional Services for contract work done by university professors for \$4,407.



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- As noted in the exceptions in this report, the university did not have proper segregation of duties for the accounting transactions of the MEPoL program including the following:
  - (1) appropriate supervision and review to ensure the accurate recording of transactions in the monthly Statements of Receipts and Disbursements of the MEPoL program;
  - (2) appropriate supervision and review to ensure the accurate preparation of the request for reimbursement for the MEPoL program;
  - (3) appropriate supervision and review to ensure that budgeted disbursements presented for the MEPoL program are on the same classification of accounts as actual disbursements of the MEPoL program; and
  - (4) proper documentation for expenditures to ensure compliance with state and federal regulations.

We found no exceptions for the mathematical accuracy of the amounts on the monthly statements.

3. We randomly selected six months (two from each of the three years) and agreed the selected monthly Statements of Receipts and Disbursements to the Income and Expense Ledger.

The following exception was noted as a result of this procedure:

- The university recorded an overstatement of \$4,457 for capital equipment charged on the MEPoL program's financial statement and on the Request for Reimbursement (January 1997). The university requested reimbursement of \$10,203. The disbursement per the Income and Expense Ledger was correctly recorded for \$5,746. There was no documentation to support the difference of \$4,457. Because the university did not reduce capital equipment on the Request for Reimbursement, the university received excess federal reimbursement of \$2,228 (50% of \$4,457). This amount has not been returned to the federal government.
4. We compared the Statements of Receipts and Disbursements of the MEPoL program for the fiscal years ended September 30, 1997, September 30, 1998, and

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**UNIVERSITY OF LOUISIANA at LAFAYETTE**  
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September 30, 1999, to identify annual variances greater than \$5,000 for all individual cash receipt and disbursement accounts that are 5% or more of the total.

As a result of this procedure, we identified variances greater than \$5,000 for individual cash receipt and disbursement accounts that are 5% or more of the total in the following accounts:

<u>Description</u>	<u>Fiscal Years Ended</u>		<u>Difference</u>
	<u>September 30, 1997</u>	<u>September 30, 1998</u>	
<b>Receipts</b>			
Federal	\$362,771	\$818,573	\$455,802
Client Fees/Membership			
State/ULL			
<b>Disbursements</b>			
Personnel	363,153	447,800	84,647
Fringe benefits	71,534	95,149	23,615
Advertising	60,375	128,445	68,070
Professional services	184,957	1,206,373	1,021,416
Capital equipment	76,655	13,393	(63,262)

5. We compared the budgeted receipts and disbursements to actual receipts and disbursements of the MEPoL program for the calendar years ended December 31, 1997, December 31, 1998, and through September 30, 1999, to identify annual variances of 25% or greater in individual cash receipt and disbursement accounts that are 5% or more of the total.

The following exception was noted as a result of this procedure:

- The budgeted disbursements as presented in the "Overall Budget" in the Louisiana Manufacturers Technical Extension Center Proposal for September 30, 1996 - December 31, 1997, and the Annual Operating Plan for the MEPoL program for the calendar years January 1, 1998 - December 31, 1998, and January 1, 1999 - December 31, 1999, were not on the same classification of accounts as actual disbursements of the MEPoL program. Therefore, we were unable to compare the budgeted totals to actual totals and identify variances.



Fiscal Years Ended		
September 30, 1998	September 30, 1999	Difference
\$818,573	\$1,229,909	\$411,336
271,477	1,117,169	845,692
410,000	560,000	150,000
1,206,373	1,839,596	633,223

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UNIVERSITY OF LOUISIANA at LAFAYETTE  
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6. We performed tests of controls unique to the MEPoL program to determine adherence to established policies and procedures related to receipts and disbursements for the period beginning September 30, 1996, (inception) and ended September 30, 1999:

**Receivables**

We obtained the schedule of receivables as of September 30, 1999:

1. We randomly selected six of the items and determined if the receipts were actually earned before September 30, 1999, and not received before that date.
2. We obtained the cash receipt transactions for October 1999 and examined all transactions to determine if there were any receivables that were unrecorded at September 30, 1999.
3. We obtained management's methodology for establishing the allowance for uncollectible accounts and determined whether the receivables include only the accounts deemed by management to be collectible.

The following exceptions were noted as a result of these procedures:

- . The schedule of client receivables provided to us by management was understated by \$52,473 at September 30, 1999. The financial statements were adjusted to reflect the true receivable balance.
- . Management did not provide a schedule of federal receivables. Therefore, we prepared a schedule of reimbursements for the three years ended September 30, 1999, and determined that the federal receivables of the MEPoL program at September 30, 1999, were \$113,657. Management had recorded \$19,031. An adjustment for \$94,626 was made to present the financial statement on the accrual basis.
- . The agency does not have a methodology for establishing the allowance for uncollectible accounts; therefore, receivables include only accounts that management deems to be collectible. The university is in the process of turning over some of the older accounts to the attorney general's office for collection.

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### **Cash Receipts**

We obtained the Income and Expense Ledger and randomly selected six transactions for receipts (two from each of the three years) and tested for the following attributes:

1. We traced the amount to the deposit slip.
2. We verified that the amount recorded agrees with (1) the reimbursement request or (2) the client billings.

No exceptions were noted as a result of these procedures.

### **Payables**

We obtained the schedule of payables as of September 30, 1999, and performed the following procedures:

1. We randomly selected six of the items to determine if the costs were incurred before September 30, 1999, and paid after that date.
2. We verified that amounts reflected in payables for capital outlay had been recorded within the ME:PoL program's movable property records.
3. We obtained the cash disbursement transactions for October 1999 and examined all transactions to determine whether there were any unrecorded payables at September 30, 1999.

The following exception was noted as a result of these procedures:

- Using the schedule of payables provided by management, we were able to determine the amount of payables as of September 30, 1999, and the appropriate adjustments were made to present the financial statement on the accrual basis.

There were no amounts reflected in payables for capital outlay at September 30, 1999.

### **Direct Costs**

We randomly selected six reimbursement requests, two for each of the three years, and performed the following procedures:

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**Salaries and Related Benefits**

- a. We identified all payroll disbursements from these requests and tested for the following attributes:
1. We agreed the request for reimbursement of salaries and related benefits to the Income and Expense Ledger and to the pay allocation report.
  2. We agreed the request for reimbursement of employees' salaries to the payroll records.
  3. We reviewed time and attendance records for proper approval and signatures.

The following exceptions were noted as a result of these procedures:

- The director did not keep back-up documentation as to which employees were charged to the MEPoL program. Therefore, the director of the MEPoL program used a pay allocation report for the selected periods and identified the salaries of those employees that he believed were charged to the MEPoL program.
- Adjustments were made to personnel disbursements for the six months tested to correct overstatements and understatements for \$4,559 and \$5,115, respectively.
- Adjustments were made to professional services disbursements for June 1998 to correct an understatement of \$2,392.
- Because the director did not keep back-up documentation indicating which employees' salaries were charged to the MEPoL program, we could not determine if all employees' salaries charged to the program matched the employees' payroll records. However, for all the employees that we determined should have been charged to the program, the employees' salaries matched the employees' payroll records.

All time and attendance records of the employees indicated in the above paragraph had proper approval and signatures.

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- b. We obtained a list of all MEPoL program employees and their compensation to perform the following procedures:
1. We matched the names of the employees whose salaries were requested for reimbursement to the approved organization chart and noted any differences.
  2. We obtained the salary rates per the Civil Service documentation or the contract letter on file, compared the rates to the amount paid for the employees, and verified that the employees were not paid above these rates.
  3. We verified that the related benefits are reasonable considering established university policy.

As noted previously, the director did not keep back-up documentation to justify the personnel amount charged to the MEPoL program. However, with the adjustments made for the employees believed to be charged to the program, those employees were on the approved organization chart or were employees of the university and were doing contract work for the program.

All employees were paid according to their approved Civil Service documentation or letter of appointment.

The related benefit costs were reasonable considering university policy.

### **Travel**

We identified all travel-related disbursements from the sample requests for reimbursement to perform the following procedures:

1. We reviewed the supporting documentation (i.e., travel expense reports) for disbursements that were billed for reimbursement to establish that the documentation included the employee's name, purpose of the trip, and cost by type (airfare, meals, lodging).
2. We verified that the amounts charged per the travel expense reports were not in excess of the State Travel Regulations (PPM 49).



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3. We verified that the disbursements charged were not prohibited (i.e., alcohol, movies, etc.) by PPM 49.
4. We examined the travel expense reports for appropriate signatures, approvals, and receipts.
5. We verified that the types of trips match the supporting documentation provided in the approved budget.
6. We verified that the employees who are expensing travel are part of the approved organizational chart.

The following exceptions were noted as a result of these procedures:

- Meals for \$77 should not have been allowed for reimbursement for August and December 1998, because they were not in accordance with PPM 49. These meals were included in the total conference costs. An adjustment was made to correct the overstatement of disbursements and expenditures in the financial statements for fiscal years ended September 30, 1998, and September 30, 1999, respectively.
- Travel expense for \$114 should not have been allowed for reimbursement for June 1999. An employee extended her stay after the conclusion of a conference and received reimbursement for the additional costs. This was not in accordance with PPM 49. An adjustment was made to correct the overstatement of expenditures in the financial statements for fiscal year ended September 30, 1999.
- Documentation is needed to support all travel reimbursements, including explanations of unusual circumstances. An employee extended his stay after the conclusion of a conference, because there was a savings to the university. The employee received reimbursement for the additional costs for \$200. This was in accordance with PPM 49. However, there was no documentation to verify the fact that there was a savings to the university for the employee to extend his stay.

No other exceptions were noted as a result of these procedures.

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### **Supplies and Operating Services**

We identified all disbursements for supplies and operating services from the sample requests for reimbursement and obtained supporting documentation. Supporting documentation included purchase orders and/or requisitions, vendor invoices, and the Income and Expense Ledger.

1. We traced the disbursements claimed for reimbursement to the supporting documentation.
2. We verified that purchase orders and/or requisitions were completed and had the appropriate signatures as required by university policy and procedures.
3. We traced the disbursements to the Income and Expense Ledger to verify vendor payments.
4. We verified that the disbursements were in compliance with the Louisiana public bid law, Louisiana Revised Statute (R.S.) 39:1551-1771, and Executive Orders MJF 98-20 and MJF 96-14.

No exceptions were noted as a result of these procedures.

### **Capital Outlay**

We identified all disbursements for capital outlay from the sample requests for reimbursement and obtained supporting documentation. Supporting documentation included invoices, inventory lists, purchase orders and/or requisitions, and the Income and Expense Ledger.

1. We traced the disbursements claimed for reimbursement to the supporting documentation.
2. We verified that purchase orders and/or requisitions were completed and had the appropriate signatures as required by university policy and procedures.
3. We verified that purchased items over \$250 were added to the MEPoL program's movable property records.
4. We traced the disbursements to the Income and Expense Ledger.

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5. We verified that the disbursements were in compliance with the Louisiana public bid law, R.S. 39:1551-1771, and Executive Orders MJF 98-20 and MJF 96-14.
6. We discussed the purpose of the capital outlay disbursement with management. If the capital outlay was assigned to a particular employee, we compared the employee's name to the approved organization chart and verified that the employee was a member of the MEPoL program at the time.

No exceptions were noted as a result of these procedures.

### **Professional Services**

We identified all disbursements for third-party or professional services from the sample requests for reimbursement and obtained supporting documentation. These services included outside consultant contracts and other professional services. Supporting documentation included consultant contracts, consultant invoices, other professional services invoices, and the Income and Expense Ledger.

#### **Consultant contracts**

1. We randomly selected six outside consultants from the reimbursement requests and verified that the contracts included total amounts billed, rate per hour, and hours worked.
2. We examined the consultant contracts for appropriate signatures and approvals.
3. We traced the disbursements to the Income and Expense Ledger.

No exceptions were noted as a result of these procedures.

#### **Other professional services**

The agreed-upon procedure was to examine all other professional services disbursements for supporting documentation and to trace the disbursements to the Income and Expense Ledger.

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STATE OF LOUISIANA**

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There were no other professional services disbursements recorded in the Income and Expense Ledger for the period September 30, 1996, (Inception) to September 30, 1999.

**Indirect Costs**

We reviewed the claims for reimbursement of indirect costs and obtained management's methodology for recovering indirect costs:

1. We determined that the indirect costs were charged in accordance with the stated methodology.
2. We determined whether the university refunded the amount of indirect costs charged to the MEPoL program.
3. We verified that the amount refunded was credited to receipts of the MEPoL program.

The following was noted as a result of these procedures:

- The university used the facilities and administrative cost rate approved by the Department of Health and Human Services to recover its indirect costs for the MEPoL program.
- The university does not refund the amount of indirect cost charged to the MEPoL program.

The following exceptions were noted as a result of these procedures:

- We recalculated the indirect cost rate for each of the months for the three years ended September 30, 1999. As a result of our calculation, we determined that the university had overstatements and understatements for \$294 and \$330, respectively. Appropriate adjustments were posted to the financial statements for each of the three years.
- Indirect cost is based on a rate applied to personnel disbursements. Because personnel disbursements were overstated and understated as noted previously for the six months tested, indirect costs were also overstated in the net amount of \$1,810. Appropriate adjustments were posted to the financial statements for each of the three years.

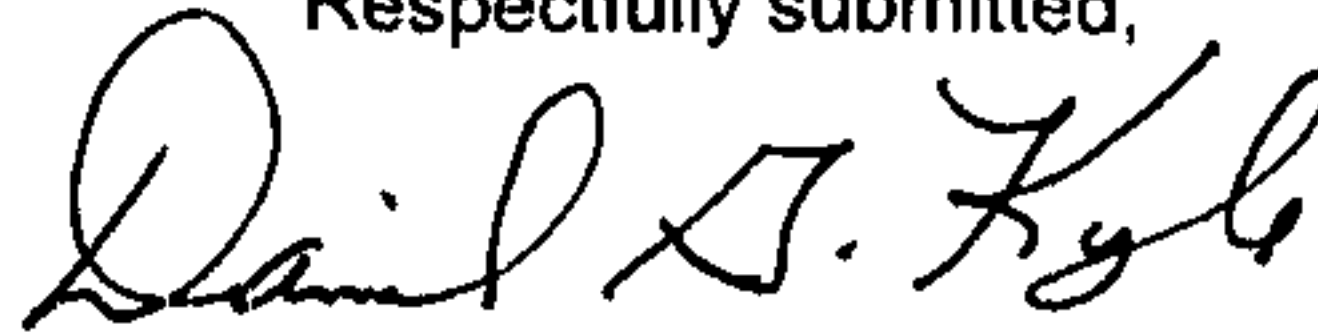
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UNIVERSITY OF LOUISIANA at LAFAYETTE  
STATE OF LOUISIANA  
Auditor's Report, September 30, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Statements of Revenues and Expenditures of the MEPoL program. Accordingly, we do not express such an opinion. Also, we express no opinion on the University of Louisiana at Lafayette's internal control over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the University of Louisiana at Lafayette and its management 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,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

KD:DLH:DSP:dl

[USL-MEPoL]



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Statement A

**MANUFACTURING EXTENSION PARTNERSHIP  
OF LOUISIANA CENTER  
UNIVERSITY OF LOUISIANA AT LAFAYETTE  
STATE OF LOUISIANA**

**Statement of Revenues and Expenditures  
For the Year Ended September 30, 1999**

	<u>(PORTION OF) CURRENT FUNDS - RESTRICTED FUND</u>
<b>REVENUES</b>	
Federal	\$1,343,568
Client fees/membership	1,246,559
State/ULL	635,000
Total revenues	<u>3,225,127</u>
<b>EXPENDITURES</b>	
Personnel	439,107
Related benefits	88,045
Travel	12,358
Training	40,731
Operating services	35,422
Supplies	17,604
Advertising	19,502
Professional services	1,857,902
Capital equipment	23,920
Indirect costs	202,613
Total expenditures	<u>2,737,204</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u><u>\$487,923</u></u>

The accompanying notes are an integral part of this statement.

**MANUFACTURING EXTENSION PARTNERSHIP  
OF LOUISIANA CENTER (MEPoL)  
UNIVERSITY OF LOUISIANA AT LAFAYETTE  
STATE OF LOUISIANA**

**Statement of Cash Receipts and Disbursements  
For the Years Ended September 30, 1998,  
and September 30, 1997**

	(PORTION OF) CURRENT FUNDS - RESTRICTED FUND	
	<u>September 30, 1998</u>	<u>September 30, 1997</u>
<b>RECEIPTS</b>		
Federal	\$818,573	\$362,771
Client fees/membership	271,477	39,355
State/ULL	410,000	410,000
Total receipts	<u>1,500,050</u>	<u>812,126</u>
<b>DISBURSEMENTS</b>		
Personnel	447,799	363,153
Related benefits	95,149	71,534
Travel	6,739	13,518
Training	20,970	17,147
Operating services	71,129	23,201
Supplies	32,052	19,230
Advertising	12,632	8,972
Professional services	1,206,373	184,957
Capital equipment	13,393	76,655
Indirect costs	210,466	170,683
Total disbursements	<u>2,116,702</u>	<u>949,050</u>
<b>DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS</b>	<u><u>(\$616,652)</u></u>	<u><u>(\$136,924)</u></u>

The accompanying notes are an integral part of this statement.

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MANUFACTURING EXTENSION PARTNERSHIP  
OF LOUISIANA CENTER  
UNIVERSITY OF LOUISIANA AT LAFAYETTE  
STATE OF LOUISIANA

Notes to the Financial Statements  
For the Three Years Ended September 30, 1999

**INTRODUCTION**

The University of Louisiana at Lafayette is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana within the executive branch of government. The University of Louisiana at Lafayette Manufacturing Extension Partnership of Louisiana Center (MEPoL) program is a part of the University of Louisiana at Lafayette. The accompanying financial statements present information only as to the transactions of the University of Louisiana at Lafayette MEPoL program.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FUND ACCOUNTING**

To observe limitations and restrictions placed on the use of available resources, the accounts of the University of Louisiana at Lafayette are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with the activities or objectives specified. Accounts are maintained for the transactions of the MEPoL program as follows:

**Current Funds**

Current funds are operating funds that will be expended in the near future. Such funds have two basic subgroups, unrestricted and restricted. Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act. Restricted current funds represent those operating funds on which restrictions have been imposed to limit the purposes for which such funds can be used. The Restricted Fund includes the operating accounts of the MEPoL program.

**B. BASIS OF ACCOUNTING**

The accounts of the MEPoL program are maintained on the cash basis of accounting. The accounts are adjusted to accrual basis of accounting for the university's fiscal year-end financial reporting as follows:

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**MANUFACTURING EXTENSION PARTNERSHIP  
OF LOUISIANA CENTER  
UNIVERSITY OF LOUISIANA AT LAFAYETTE  
STATE OF LOUISIANA  
Notes to the Financial Statements (Concluded)**

**Revenues**

Cash receipts are recorded when received. Adjustments were required to record revenues on the accrual basis of accounting at September 30, 1999.

**Expenditures**

Cash disbursements are recorded when paid. Adjustments were required to record expenditures on the accrual basis of accounting at September 30, 1999, except that (1) depreciation was not recognized; (2) annual and sick leave were recognized when paid; and (3) inventories of the General Fund were recorded as expenditures at the time of purchase.

**C. EMPLOYEE COMPENSATED ABSENCES**

Employees of the university working in the MEPoL program earn annual and sick leave in accordance with state law and administrative regulations. Leave benefits are reflected in the accompanying financial statements when paid.