

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Northeast Louisiana University  
State of Louisiana  
Monroe, Louisiana

December 17, 1987



*Financial and Compliance Audit Division*

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

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**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA  
Monroe, Louisiana**

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1987, and for the Years  
Ended June 30, 1987 and 1988  
With Supplemental Information Schedules**

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 State House and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

December 17, 1987

NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA

General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1997, and for the Years  
Ended June 30, 1997 and 1996  
With Supplemental Information Schedules

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BANKS & BYLLE, MEMBERS OF  
LEGISLATIVE COUNCIL

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
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November 14, 1997

Independent Auditor's Report  
On the Financial Statements

**NORTHEAST LOUISIANA UNIVERSITY**  
**STATE OF LOUISIANA**  
Monroe, Louisiana

We have audited the accompanying general purpose financial statements of Northeast Louisiana University, a component unit of the State of Louisiana, as of June 30, 1997, and for the years ended June 30, 1997 and 1996, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of Northeast Louisiana University's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 described in note 1-K to the financial statements, the university has excluded the liability relating to compensated absences from the accompanying financial statements. In our opinion, generally accepted accounting principles require that such liability be reflected on the financial statements in the year in which the benefits accrue.

In our opinion, except for the effects of not recording the liability relating to compensated absences, as discussed in the preceding paragraph, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of Northeast Louisiana University, at June 30, 1997; the changes in fund balances; and the current funds' revenues, expenditures, and other changes for the years ended June 30, 1997 and 1996, in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR

NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA  
Audit Report, June 30, 1997

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 1997 on our test of compliance with certain provisions of laws, regulations, contracts, and grants and our consideration of Northeast Louisiana University's internal control over financial reporting.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of Northeast Louisiana University, taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Dennis G. Kyle, CPA, CFE  
Legislative Auditor

RLA:MAR/cl

14-1

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA  
BALANCE SHEET - ALL FUNDS**

For the Year Ended June 30, 1997

	CURRENT FUNDS			STUDENT	ENDOWMENT
	GENERAL	UNAPPORTIONED	APPORTIONED	FUNDS	FUNDS
<b>ASSETS</b>					
Cash and cash equivalents			\$50,007	\$47,000	
Investments	\$215,041	\$75,745	1,734,006		
529(a) accounts				4,000,000	
Due from/other foundations					\$2,075,077
Due from other funds	1,740,043	710,348	186		
Deferred charges - and prepaid expenses	112,248	75,000			
Receivables	117,004	661,000			
Institutional plant					
Other assets			73,000		
<b>TOTAL ASSETS</b>	<b>\$4,097,009</b>	<b>\$2,662,000</b>	<b>\$1,813,009</b>	<b>\$4,222,000</b>	<b>\$2,075,077</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>CURRENT:</b>					
Accounts payable	\$208,571	\$55,000	\$58,073	100	
Accounts salaries	3,204,000	142,000	44,000		
Due to other funds		1,200,000	475,000	100,000	
Deposits held for others					
Deferred revenues	1,007,000	207,000			
Retained funds and interest					
Payroll					
Bonds payable					
Total liabilities	4,687,571	3,897,000	715,073	100,100	100
<b>Fund Equity:</b>					
Net investment in plant					
Fund balance - retained	117,004	271,004	607,007		
Current operations - retained					
(deficit)		(1,000,000)	17,000		
Measurement operations					
Reserves				4,000,000	
Endowment					\$1,075,077
Total Fund Equity (deficit)	117,004	(1,000,000)	674,007	4,000,000	1,075,077
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$4,804,575</b>	<b>\$2,897,000</b>	<b>\$1,849,080</b>	<b>\$4,222,000</b>	<b>\$2,075,077</b>

The accompanying notes are an integral part of this statement.





**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances  
for the Year Ended June 30, 1997**

	CURRENT FUNDS			STUDENT SERVICES FUNDS
	GENERAL	UNIVERSITY (NOT EXPENSED)	DEVELOPMENT	
<b>Revenues and other additions:</b>				
Unexpended current fund revenues	\$92,807,600			
Tuition and fees - restricted			\$1,026,000	\$17,826
State grants and contracts - restricted			2,959,888	
Federal grants and contracts - restricted			11,736,154	112,050
Local grants and contracts - restricted			862,390	
Private gifts, grants, and accounts - restricted			891,874	
Investment income - restricted			42	
Transfers and services of educational departments	280,600			
Transfers and services of auxiliary departments		\$17,008,648		
Interest on loans receivable				84,843
State funded encumbrances				
Additions to plant facilities				
Retirement of indebtedness				
Other revenues				11,714
<b>Total revenues and other additions</b>	<b>93,211,590</b>	<b>17,008,648</b>	<b>15,596,566</b>	<b>116,133</b>
<b>Expenditures and other deductions:</b>				
Education and general	\$1,841,458		\$1,841,457	
Auxiliary activities		\$8,631,808		
Auxiliary equipment purchases		280,000		
Interest costs incurred			256,381	
Expended for plant facilities				
Retirement of indebtedness				
Interest on indebtedness				
Depreciation/plant facilities				
Other				12,217
<b>Total expenditures and other deductions</b>	<b>11,841,458</b>	<b>8,911,608</b>	<b>19,598,281</b>	<b>12,217</b>
<b>Transfers among funds - additions (deductions):</b>				
Student - principal and interest				
Administrative - other	(1,883,792)	1,883,792		
<b>Total transfers among funds</b>	<b>(1,883,792)</b>	<b>1,883,792</b>	<b>NCSE</b>	<b>NCSE</b>
Inventory increase	28,880	NCSE	NCSE	NCSE
Net increase (decrease) for the year	78,880	(7,000)	121,880	200,816
Fund balances (deficit) at July 1, 1996	\$1,888	(1,887,200)	347,852	4,776,186
Fund balances (deficit) at June 30, 1997	<b>\$1,916,880</b>	<b>(1,894,199)</b>	<b>469,732</b>	<b>4,976,999</b>

The accompanying notes are an integral part of this statement.



**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

**Statement of Revenues, Expenditures,  
and Other Changes  
For the Year Ended June 30, 1997**

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
<b>Revenues:</b>			
Tuition and fees	\$19,383,808	\$204,000	\$242,879
State appropriations	32,081,898		
Federal grants and contracts	321,704		11,170,124
State grants and contracts			2,585,898
Local grants and contracts			282,352
Private gifts, grants, and contracts			801,874
Sales and services of educational departments	250,072		
Sales and services of auxiliary departments		18,084,115	
Investment income	268,926		42
Other sources	748,592		
Total revenues	<u>\$23,221,180</u>	<u>17,355,448</u>	<u>15,802,827</u>
<b>Expenditures and transfers:</b>			
Educational and general:			
Instruction	15,112,567		
Research	4,034,873		
Public service	1,582,508		
Academic support	4,410,803		
Student services	3,200,433		
Institutional support	8,897,821		
Operations and maintenance of plant	4,816,522		
Scholarships and fellowships	3,707,181		8,218,628
Other	28,080		7,475,070
Total educational and general expenditures	<u>\$71,837,463</u>	<u>None</u>	<u>15,802,827</u>
Nonmandatory transfers - other	1,863,762	(1,863,762)	
Auxiliary enterprise expenditures		18,398,088	
Total expenditures and transfers	<u>\$73,701,225</u>	<u>17,355,255</u>	<u>15,802,827</u>
<b>Other actions (deductions):</b>			
Excess of restricted receipts over transfers to revenue			801,873
Other			(294,081)
Net increase in inventory	58,085		
Net increase (decrease) in fund balances	<u>\$28,086</u>	<u>(\$17,402)</u>	<u>\$821,082</u>

The accompanying notes are an integral part of this statement.

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances  
For the Year Ended June 30, 1995**

	CURRENT FUND			GRAND TOTAL
	GENERAL	AUXILIARY EXPENSES	RESTRICTED	
<b>Revenues and other additions</b>				
Reimbursed current fund revenues	\$5,878,140			
Tuition and fees - restricted			294,278	294,278
State grants and contracts - restricted			2,837,899	
Federal grants and contracts - restricted			12,858,828	12,858,828
Local grants and contracts - restricted			226,387	
Private gifts, grants, and contracts - restricted			42,118	
Investment income - restricted		\$151	54	1,355
Salaries and services of educational departments	127,888			
Salaries and services of auxiliary departments		12,557,295		
Interest on State indebtedness				124,421
Endowment income				
Additions to plant facilities				
Retirement of indebtedness				
Other sources			288,628	6,234
Total revenues and other additions	<u>62,875,228</u>	<u>12,657,295</u>	<u>14,081,701</u>	<u>89,614,224</u>
<b>Expenditures and other deductions</b>				
Educational and general	52,175,228		14,241,000	
Auxiliary activities		12,875,295		
Auxiliary equipment purchases		247,188		
Interest on State indebtedness			226,271	
Loan cancellations and write-offs				60,844
Expended for plant facilities				
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities				
Other				26,872
Total expenditures and other deductions	<u>52,175,228</u>	<u>12,875,295</u>	<u>14,267,271</u>	<u>79,317,794</u>
<b>Transfer among funds - additions (deductions)</b>				
Maintenance - principal and interest		(116,446)		
Nonmaintenance - other	(1,841,000)	1,222,221		
Total transfer among funds	<u>(1,841,000)</u>	<u>1,105,775</u>	<u>10,000</u>	<u>10,000</u>
<b>Inventory (decrease)</b>	<u>(16,628)</u>	<u>1008</u>	<u>1008</u>	<u>1008</u>
<b>Net increase (decrease) for the year</b>	<u>(16,628)</u>	<u>(968,420)</u>	<u>(204,570)</u>	<u>86,888</u>
<b>Fund balances (deficit) at July 1, 1995, reported page 22</b>	<u>704,881</u>	<u>(1,148,848)</u>	<u>251,500</u>	<u>4,677,583</u>
<b>Fund balances (deficit) at June 30, 1995</b>	<u>688,253</u>	<u>(1,158,868)</u>	<u>46,930</u>	<u>4,764,471</u>

The accompanying notes are an integral part of this statement.

EMPLOYMENT FUND	PLANT FUNDS			TOTAL AMOUNTS IN FUNDS	TOTAL AMOUNTS IN FUNDS
	UNEXPENDED	REVENUES AND REPLACEMENTS	DEFICIT OR SURPLUS		
					\$1,819,142
	\$95,144				1,860,555
					2,007,594
					19,858,805
					215,287
					412,119
\$95,144	100,219	\$41,686	\$94,918		288,179
					187,668
					18,852,885
					189,407
\$95,000				\$5,794,004	5,794,004
				278,201	775,281
			24,000		222,280
\$95,144	1,000,000	20,000	199,000	1,000,000	\$2,000,000
					\$5,794,004
					18,852,885
					215,287
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**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

**Statement of Revenues, Expenditures,  
and Other Changes  
For the Year Ended June 30, 1990**

	GENERAL	ALLEGANY DISTRICT FUNDS	HOUSING FUND
<b>Revenues:</b>			
Tuition and fees	\$20,014,880	\$400,000	\$971,019
State appropriations	26,797,724		
Federal grants and contracts	288,184		10,858,000
State grants and contracts			3,007,084
Local grants and contracts			208,000
Private gifts, grants, and contracts			473,178
Sales and services of educational departments	187,000		
Sales and services of auxiliary departments		78,200,000	
Investment income	208,721	101	84
Other sources	1,081,000		283,000
<b>Total revenues</b>	<u>\$28,877,509</u>	<u>\$78,200,001</u>	<u>\$14,798,324</u>
<b>Expenditures and transfers:</b>			
<b>Educational and general:</b>			
Instruction	25,980,000		
Research	3,861,004		
Public service	840,000		
Academic support	2,884,288		
Library	1,581,000		
Student services	3,240,000		
Institutional support	6,873,280		
Operation and maintenance of plant	5,875,000		
Scholarships and fellowships	2,037,000		7,880,440
Other			5,765,980
<b>Total educational and general expenditures</b>	<u>\$68,175,000</u>	<u>(NONE)</u>	<u>\$14,158,854</u>
Mandatory transfers - principal and interest		818,440	
Nonmandatory transfers - other	1,842,000	(2,300,000)	
Auxiliary enterprise expenditures		18,358,000	
<b>Total expenditures and transfers</b>	<u>\$70,017,000</u>	<u>\$17,276,440</u>	<u>\$14,158,854</u>
<b>Other (adjustments):</b>			
Excess of certified receipts over transfers to students			(604,500)
Inventory increase (decrease)	<u>(78,000)</u>		
<b>Net (decrease) in fund balances</b>	<u>\$18,022,509</u>	<u>\$603,561</u>	<u>\$604,970</u>

The accompanying notes are an integral part of this statement.

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

**Notes to the Financial Statements  
As of June 30, 1997, and for the Years  
Ended June 30, 1997 and 1996**

**INTRODUCTION**

Northeast Louisiana University 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 is under the management and supervision of the University of Louisiana System Board of Trustees; however, the annual budget of the university and changes to the degree programs, departments of instruction, et cetera, require the approval of the Board of Regents for Higher Education. As a state university, operations of the university's instructional programs are funded through annual lapping appropriations made by the Louisiana Legislature.

Northeast Louisiana University is located in Monroe, Louisiana, offering academic, cultural, vocational, social and continuing education for Northeast Louisianans. The university offers associate, baccalaureate, and selected masters and specialist degrees in the areas of business, education, liberal arts, and the sciences. In addition, the university awards a Doctor of Philosophy degree in pharmacy. Student enrollment was approximately 10,623 for the 1997 spring semester. The university has 522 faculty and 816 support staff members.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) recognizes two models for college and university accounting and financial reporting in GASB Statement 18: American Institute of Certified Public Accountants (AICPA) College Guide model and the Governmental model, established by the National Council on Governmental Accounting. The accompanying financial statements have been prepared in accordance with the AICPA College Guide model principles, except for the recognition of compensated absences. The university recognizes the liability for accrued annual and sick leave when paid because major portions of the liability will be paid from the university's General Fund from future appropriations made by the Louisiana Legislature.

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statements of the university contain sub-account information of the various funds of the State of Louisiana. The university is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal

**NORTHEAST LOUISIANA UNIVERSITY**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

resides as follows: (1) a majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercise authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of Northeast Louisiana University, a component unit of the State of Louisiana.

Northeast Louisiana University is a publicly supported institution of higher education. GASB Statement 14, The Financial Reporting Entity, establishes the institution as identified as part of the primary government since it is a component unit and the State of Louisiana is financially accountable.

Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

**C. FUND ACCOUNTING**

To observe the limitations and restrictions placed on the use of available resources, the accounts of the university 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 specified activities or objectives. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups. Accordingly, all financial statements have been reported by fund groups. A brief description of each fund group follows:

**Current Funds**

Current funds are operating funds that will be expended in the near term. 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, and include the General Fund. Restricted current funds represent those operating funds on which restrictions have been imposed that limit the purposes for which such funds can be used, and includes the Auxiliary Enterprise Fund and gifts, grants, or contracts from governmental or private agencies.



**NORTHWEST LOUISIANA UNIVERSITY**  
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Notes to the Financial Statements (Continued)

**Student Loan Funds**

The student loan funds group accounts for resources available for loans to students.

**Endowment Funds**

Endowment funds are funds with respect to which donors or other outside agencies have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income that may either be expended or added to principal.

**Plant Funds**

The plant funds group contains four self-balancing subgroups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Funds for travels and replacements are set aside from current operating revenues for the removal and replacement of auxiliary enterprise properties. Funds for retirement of indebtedness are to service plant indebtedness of the university. Investment in plant includes all long-lived assets of the university. Certain plant assets are provided directly by the state and are funded by general obligation bonds of the state. While the plant assets are included in the financial statements, the general obligation bonds are not, since they are funded by the state treasury.

**Agency Funds**

Agency funds are deposits in which the university acts as custodian or fiscal agent on behalf of others, such as student or faculty organizations and workshops.

**D. BASIS OF ACCOUNTING**

The financial statements of the university have been prepared on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) annual and sick leave is recognized when paid; (3) summer school tuition and fees and faculty salaries and related benefits for June are not reported but are deferred to the succeeding year; and (4) inventories of the General Fund are recorded as expenditures at the time of purchase.

**NORTHEAST LOUISIANA UNIVERSITY**  
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**Notes to the Financial Statements (Continued)**

The statement of current funds' revenues, expenditures, and other changes is a statement of financial activities of current funds relating to the current reporting period. It does not purport to present the results of operations (net income or loss) for the period, as would a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as expenditures in the case of original acquisitions, repairs and renovations; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a nonreimbursable nature for all other cases.

**E. BUDGET PRACTICES**

The appropriation made for the General Fund of the university is an annual lapping 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 branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized, (2) lease 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 presented but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The budget amounts for 1996-1997 and 1996-1998 include the original approved budgets and subsequent amendments approved as follows:

<b>1996-1997</b>	
Original approved budget	\$51,363,636
Preamble addition	1,000,045
Desegregation	25,000
Faculty salary increases	2,460,947
Total	<u>\$54,797,212</u>
<b>1996-1998</b>	
Original approved budget	\$62,409,477
Amendments - decrease in state General Fund	(79,549)
Desegregation	25,000
Total	<u>\$62,354,928</u>

**NORTHEAST LOUISIANA UNIVERSITY**  
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 Notes to the Financial Statements (Continued)

The following are the appropriation budgetary comparisons for 1996-1997 and 1995-1996:

	1996-1997		Variance Favorable (Unfavorable)
	Actual	Budget	
<b>Revenues</b>			
Appropriated by legislature:			
State General Fund	100,281,088	100,281,088	
State General Fund by self-generated revenues	26,046,020	25,576,146	(\$469,874)
Interfund transfer	315,408		\$315,408
Total revenues	<u>\$126,642,516</u>	<u>\$125,857,234</u>	<u>1,285,282</u>
<b>Expenditures</b>	<u>\$125,281,088</u>	<u>\$125,857,234</u>	<u>1,285,282</u>
<b>Unexpended Appropriation - Current Year</b>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

	1995-1996		Variance Favorable (Unfavorable)
	Actual	Budget	
<b>Revenues</b>			
Appropriated by legislature:			
State General Fund	\$26,089,724	\$26,089,724	
State General Fund by self-generated revenues	20,289,270	20,576,146	(\$286,876)
State General Fund by interagency transfer	189,890	321,598	(131,708)
Federal Funds		1,590	(1,590)
Total revenues	<u>\$46,568,884</u>	<u>\$47,089,058</u>	<u>(520,174)</u>
<b>Expenditures</b>	<u>\$46,217,028</u>	<u>\$46,984,808</u>	<u>337,880</u>
<b>Unexpended Appropriation - Current Year</b>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

The \$315,408 interfund transfer during 1996-97 represents an operating transfer from the Auxiliary Fund to reduce the General Fund deficit during the year and that amount was netted in nonmandatory transfers reflected on Statements B and C. The other funds of the university, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process and, therefore, are not presented.

**NORTHEAST LOUISIANA UNIVERSITY**  
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Notes to the Financial Statements (Continued)

**F. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand, demand deposits, interest-bearing demand deposits, and cash in the state treasury. Cash equivalents include time deposits. Under state law, the university 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 university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**G. INVENTORIES**

The university maintains perpetual inventories for all significant inventories. The cost of the General Fund inventory is determined by the weighted-average method. The cost of all other significant inventories is determined by the replacement cost. The year-end balance of the General Fund is offset by a fund balance reserve that indicates this portion of the fund balance does not constitute available spendable resources. Acquisitions of inventory in the General Fund are recorded as expenditures when purchased, and the difference between inventory cost at the beginning and end of the year is reported on Statement D as an adjustment of fund balance reserved for inventory. Inventories in the Auxiliary Fund are recorded as expended when sold or used.

**H. DEFERRED REVENUES**

Tuition and fees collected at June 30, 1987, but applicable to the 1987 summer session, are reported as deferred revenues. Expenses relating to this session are reported in the period the tuition and fees are recognized as revenues.

**I. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve fund balances, is employed by the university. Encumbrances outstanding at year-end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does not have the ability to finance the liquidation of encumbrances after June 30, 1987, as provided by R.S. 28:82.

**J. PLANT ASSETS**

Physical plant and equipment are stated at cost at the date of acquisition, estimated cost if actual cost is not known, fair market value at date of donation in the case of

**NORTHEAST LOUISIANA UNIVERSITY**  
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Notes to the Financial Statements (Continued)

gifts, or market value for livestock. Public domain or infrastructures are not capitalized. Construction in progress is capitalized during construction. No depreciation has been provided on plant assets.

**K. 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 non-exempt 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 non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1989 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. The liability for unused annual leave and unused sick leave, as discussed previously in note 1, is not recorded in the accompanying financial statements.

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 classified employee's hourly rate of pay at termination or transfer.

**L. TOTAL COLUMNS ON STATEMENTS**

Total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

**1. CASH AND CASH EQUIVALENTS**

At June 30, 1997, the university has cash and cash equivalents (book balances) totaling \$2,944,860 as follows:

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)**

Cash on hand	\$121,039
Interest-bearing demand deposits	5,300,409
Cash with fiscal agents	307,349
Cash in state treasury	<u>252,567</u>
<b>Total</b>	<b><u>\$5,981,364</u></b>

These deposits are stated at cost, which approximates market. Under state law, all deposits (or 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. These 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, 1997, the university has \$7,400,388 in deposits (collected bank balances). These deposits are secured from risk by \$692,090 of federal deposit insurance (GAAP Category 1), and \$6,608,298 by pledged securities held by the custodial bank in the name of the fiscal agent bank (GAAP Category 2).

Included in cash and cash equivalents is cash available to the university within the state treasury totaling \$252,567. The above computations do not include securities pledged for cash in the state treasury, as the securities pledged by banks holding deposits of the state treasury are held in the name of the state treasury by the custodial banks.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

Fund	Accounts Receivable	Allowance for Doubtful Accounts	Net Statement A
General	\$845,299	\$18,456	\$826,843
Auxiliary	750,745		750,745
Restricted	1,104,598		1,104,598
Agency	<u>392,574</u>		<u>392,574</u>
<b>Total</b>	<b><u>\$2,093,216</u></b>	<b><u>\$18,456</u></b>	<b><u>\$2,074,760</u></b>

**4. NOTES RECEIVABLE**

Notes receivable within the student loan fund are shown on Statement A net of an allowance for uncollectibles as follows:

**NORTHEAST LOUISIANA UNIVERSITY**  
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 Notes to the Financial Statements (Continued)

Fund	Notes Receivable	Allowance for Uncollectibles	Net
			Statement A
Perkins Loans	\$4,273,897	\$519,791	\$3,754,146
Pharmacy Loans	1,124,829	115,910	1,008,919
Nursing Loans	73,884	41,131	32,753
Short-Term Loans	223,884	213,451	10,433
Total	<u>\$5,696,334</u>	<u>\$889,383</u>	<u>\$4,806,951</u>

Funds available for lending by the Federal Perkins Loan and Health Profession Loan Funds are provided by restricted federal and state capital contributions and interest earned on notes receivable. The sources of funds available for lending by the Short-Term Student Loan Fund are restricted student fees and interest earned on notes receivable.

**5. DUE TO/FROM OTHERS**

The following is a summary of amounts due to/from others at June 30, 1997:

	Auxiliary Enterprises Fund	Restricted Fund	Student Loan Fund
General	\$2,025,538	\$383,700	\$201,713
Auxiliary		34,710	
Restricted			190
Unexpended Plant	1,204,678		
Refinement of Indebtedness Agency		3,921	
Total Due to Other Funds	<u>\$3,230,217</u>	<u>\$419,430</u>	<u>\$201,903</u>

The interfund balances reported above do not represent formal borrowing or lending arrangements. Daily transactions that affect multiple funds frequently require corresponding transfers of cash between bank accounts of the affected funds. To avoid the possibility of errors that would be inherent in frequent cash transfers, the university accumulates such transactions in interfund accounts during each month and clears the interfund balances with a single cash transfer entry after closing the books for the month. The balances above are to be substantially settled by each cash transfer in July 1997.

<u>Unexpended Plant Fund</u>	<u>Renewals and Replacements Fund</u>	<u>Retirement of Indebtedness Fund</u>	<u>Agency Fund</u>	<u>Total Due From Other Funds</u>
\$859,431			\$211,581	\$3,789,042
15,424			65,215	190,349
		\$624,902	8,181	199
	\$624,902			1,827,742
				624,902
				3,821
<u>\$874,855</u>	<u>\$624,902</u>	<u>\$624,902</u>	<u>\$279,937</u>	<u>\$6,346,152</u>



**NORTHEAST LOUISIANA UNIVERSITY  
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Notes to the Financial Statements (Continued)

**6. PENSION PLANS**

*Plan Description.* Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana 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 10 years of service. Article 10, Section 20 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 for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 64123, Baton Rouge, Louisiana 70804-9123, or by calling (504) 925-6448 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (504) 922-0800.

*Funding Policy.* The contribution requirements of plan members and the university 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. 11:162. Employees contribute 8 percent (TRS) and 7.5 percent (LASERS) of covered salaries. The state is required to contribute 10.3 and 10.5 percent of covered salaries for 1997 and 1998, respectively, to TRS and 12.4 and 12.0 percent of covered salaries for 1997 and 1998, respectively, to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1997, 1998, 1998, were \$2,018,217, \$2,114,902, and \$2,384,261, respectively, and to LASERS for the years ended June 30, 1997, 1998, 1998, were \$1,227,295, \$1,325,542, and \$1,368,629, respectively, equal to the required contributions for each year.

**7. OPTIONAL RETIREMENT SYSTEM**

R.S. 11:821 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for 10 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 as benefit of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan

**NORTHEAST LOUISIANA UNIVERSITY**  
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Notes to the Financial Statements (Continued)

rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 16.3 and 16.5 percent of the covered payroll for the year ended June 30, 1997 and 1996, respectively. The participant's contribution (3 percent), 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 TRS 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 TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the Teachers Retirement System of Louisiana. 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 contributions to the optional retirement plan totaled \$2,191,323 and \$1,658,850 for the years ended June 30, 1997, and June 30, 1996, respectively.

**8. POSTRETIREMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expenditure when paid during the year. These retiree benefits, for 375 retirees, totaled \$880,232 for the year ended June 30, 1997, and for 348 retirees, totaled \$745,762 for the year ended June 30, 1996.

**9. RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program or by General Fund appropriation. The university is involved in 26 lawsuits at June 30, 1997. All of these lawsuits are insured by the Office of Risk Management.

**10. COMPENSATED ABSENCES**

At June 30, 1997, employees of the university have accumulated and vested \$5,875,407 of employee leave benefits, which was computed in accordance with GASB Codification Section 650. As previously discussed, the leave payable is not recorded in the accompanying

**NORTHEAST LOUISIANA UNIVERSITY**  
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Notes to the Financial Statements (Continued)

financial statements. If the financial statements were corrected for this departure from generally accepted accounting principles, current funds' liabilities would be increased by \$5,675,457. This adjustment would be made to the appropriate fund within the current funds from which the leave is payable. Also, the net increase in fund balances would be decreased by \$478,404 for the year ended June 30, 1997, and an adjustment to decrease prior-year fund balances would be made for \$5,206,953.

If the amounts noted were recorded in the accompanying financial statements, \$4,700,000 would be reported in current funds - unrestricted General Fund, \$483,079 would be reported in current funds - restricted auxiliary funds, and \$425,799 would be reported, subject to specific criteria being met, in restricted funds.

**11. ON-BEHALF PAYMENTS FOR FRINGE  
BENEFITS AND SALARIES**

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a nongovernmental fund-raising foundation affiliated with a governmental university may supplement salaries of certain university faculty. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university (GAO 93-24).

The university has no on-behalf payments for fringe benefits and salaries included in the accompanying financial statements for the year ended June 30, 1997.

**12. LEASE OBLIGATIONS**

**Capital Leases**

The university does not have any material capital or operating leases at June 30, 1997.

**13. LONG-TERM DEBT**

The following is a summary of bond transactions of the university for the two years ended June 30, 1997:

**NORTHEAST LOUISIANA UNIVERSITY**  
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**Notes to the Financial Statements (Continued)**

Bonds payable at July 1, 1995	\$9,504,754
For the year ended June 30, 1996 - bonds retired	779,351
For the year ended June 30, 1997 - bonds retired	<u>905,695</u>
Bonds payable at June 30, 1997	<u>\$7,722,708</u>

A detailed summary of all debt outstanding for the two years ended June 30, 1997, including interest payments of \$2,491,755, is as follows:

<u>ISSUE</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1995</u>
<b>Student Housing Facilities Bonds:</b>			
Series 1980	April 1, 1980	\$1,517,000	\$910,000
Series 1981-D	April 1, 1981	1,385,000	390,000
Series 1983	April 1, 1983	1,200,000	420,000
Series 1984	April 1, 1984	1,600,000	690,000
Series 1985	April 1, 1985	3,000,000	1,200,000
Series 1986	April 1, 1986	3,390,000	2,230,000
<b>Educational Facilities bond:</b>			
Series 1969-C	Nov. 1, 1969	1,142,000	302,000
Series 1970-D	Apr. 1, 1970	620,000	208,000
Series 1975-C	Nov. 1, 1975	350,000	165,000
Series 1976-B	Feb. 1, 1976	1,100,000	438,289
Retatorium Bond Series 1976-C Physical Education Complex	Jan. 1, 1976	1,700,000	635,375
Series 1992-A	Mar. 1, 1992	<u>3,650,000</u>	<u>2,470,000</u>
<b>Total</b>		<u>\$20,237,000</u>	<u>9,504,754</u>

<u>1995 - Redeemed (Issued)</u>	<u>1997 - Redeemed (Issued)</u>	<u>Outstanding June 30, 1997</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 1997</u>
\$50,000	\$50,000	\$193,000	1998-2000	3-1.6%	\$12,001
65,000	65,000	295,000	1998-2001	3.50%	22,549
45,000	45,000	330,000	1998-2003	3.75%	44,911
65,000	70,000	555,000	1998-2004	3.50%	60,150
105,000	110,000	1,035,000	1998-2005	3.700%	108,131
100,000	105,000	2,015,000	1998-2008	4.0% - 5%	602,060
55,000	55,000	182,000	1998-1999	3.00%	5,050
32,000	33,000	144,000	1998-2000	3.00%	5,650
15,000	15,000	130,000	1998-2002	5.40%	22,140
61,978	65,145	311,208	1998-2001	5.50%	44,978
91,375	97,750	449,250	1998-2001	5.50%	65,554
<u>80,000</u>	<u>85,000</u>	<u>2,385,000</u>	<u>1998-2012</u>	<u>6-6%</u>	<u>1,371,700</u>
<u>\$776,361</u>	<u>\$808,895</u>	<u>\$7,802,618</u>			<u>\$2,481,795</u>

**NORTHEAST LOUISIANA UNIVERSITY**  
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**Notes to the Financial Statements (Continued)**

The annual requirements to amortize all bonds outstanding at June 30, 1997, including interest of \$2,451,785, are as follows:

1998	\$1,345,652
1999	1,253,106
2000	1,344,940
2001	1,126,573
2002	891,200
Subsequent years	<u>4,872,602</u>
<b>Total</b>	<b><u>\$10,334,073</u></b>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 1997:

Bond Issue	Cash Reserves Available	Reserve Requirement	Excess (Deficiency)
Student Housing Facilities	\$1,345,643	\$1,342,540	\$4,403
Education Facilities	240,829	221,393	19,436
Natorium	129,865	129,865	
Activity Center	122,892	122,892	
<b>Total</b>	<b><u>\$1,840,329</u></b>	<b><u>\$1,816,690</u></b>	<b><u>\$23,639</u></b>

The bond agreements of the housing system revenue bonds require that, after all required deposits have been made to the housing revenue bonds reserve funds, a sum be deposited in a housing system repair and replacement reserve until that reserve totals \$1,342,540. At June 30, 1997, the university expended or obligated \$1,152,354 as provided in the bond agreements.

The Physical Education Complex Bonds, Series 1990-A, dated March 1, 1990, and the Natatorium Bonds, Series 1975-C, dated June 1, 1975, are general obligation bonds of the state serviced by the state treasury. These bonds are reimbursed by the university from recreational facilities use fees and student fees.

**14. RESERVATIONS OF FUND BALANCES**

Reservations of fund balances at June 30, 1997, as shown on Statement A, are as follows:

**NORTHEAST LOUISIANA UNIVERSITY**  
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**Notes to the Financial Statements (Continued)**

	Internally Designated	Internally Restricted	Externally Restricted	Total
<b>Current Funds:</b>				
General	\$117,701			\$117,701
Auxiliary Enterprises	221,894	(\$2,058,958)		(1,837,064)
Restricted			\$619,744	\$619,744
<b>Investment Funds:</b>				
Student Loan Funds			4,890,199	4,890,199
Endowment Funds			2,870,277	2,870,277
<b>Plant Funds:</b>				
Unexpended			1,084,071	1,084,071
Renovals and Replacements			180,178	180,178
Retirement of Indebtedness		29,850	1,840,850	1,870,700
<b>Total</b>	<u>\$339,595</u>	<u>(\$2,029,108)</u>	<u>\$11,885,470</u>	<u>\$10,195,957</u>

**10. EXCESS (Deficiency) OF REVENUES  
OVER EXPENDITURES**

As shown on Statement A, Northeast Louisiana University's Auxiliary Enterprise Fund had a restricted fund balance deficit of \$2,058,958 for the year ended June 30, 1997. Management is currently developing plans to be implemented for the purpose of reducing the overall Auxiliary Fund deficit. These plans include reevaluating the current meal plans offered to students; increasing bookstore revenues; reduce the number of employees in the food services operation; student housing; and maintenance; and reduce expenditures in the categories of travel, operating services, and capital outlay.

**11. ACCOUNTING CHANGES**

For fiscal years before fiscal year 1995-96, the university adhered to a policy of non-deferral of certain fees collected as part of summer session tuition and fees. Those fees, established by the governing board, are accounted for in selected restricted funds. During fiscal year 1995-96, the business office modified that long-standing policy and deferred recognition of those fees until fiscal year 1996-97. That accounting change resulted in the deferral of those fees with subsequent reversal in the current fiscal year. The change in policy not only resulted in a significant increase in the workload within the controller's office, it was not consistent with recording and reporting of prior years. During fiscal year 1995-97, university personnel determined the policy followed before fiscal year 1995-96 is in accordance with GAU/BO policy. Therefore, a decision was made to discontinue the policy of deferring summer session fees, except those accounted for in the Operating Fund.

For fiscal years before fiscal year 1995-96, the university did not capitalize construction in progress, showing instead to capitalize only completed projects. Beginning in fiscal year 1995-96, management modified its policy. Therefore, additions to construction in progress reflected in note 10 for the fiscal year 1995-96 include \$2,522,657 of prior year activity.

**NORTHEAST LOUISIANA UNIVERSITY**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**17. STUDENT LOAN FUNDS**

The fund balances of the student loan funds at June 30, 1997, are as follows:

Perkins Loans Fund	\$3,610,875
Health Professions Student Loan Funds:	
Pharmacy	1,084,189
Nursing	107,382
Short-Term Student Loan Fund	<u>18,890</u>
Total	<u>\$4,999,136</u>

**18. PLANT FUNDS**

The restricted fund balances of the unexpended plant funds at June 30, 1997, are as follows:

Building Use Fee Fund	\$158,288
Vehicle Use Fee Fund	38,824
Student Union Building Renovation Fund	400
Meteorium	(575,822)
Physical Education Complex	<u>1,165,505</u>
Total	<u>\$866,295</u>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 69, *Recognition of Depreciation by Not-for-Profit Organizations*, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived tangible assets in their financial statements. In January 1988, the GASB issued Statement No. 8, which addresses the implementation of FASB Statement No. 69. Codification of Governmental Accounting and Financial Reporting Standards Section C&S 102 states that "Colleges and universities that follow the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, should not change their accounting and reporting for depreciation of capital assets as a result of FASB Statement No. 69; the GASB has several projects under way that may affect that reporting." As reflected in note 1-C, depreciation is not currently recognized by the university.



**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

A summary of investment in plant follows:

	Balance July 1, 1996	Additions	Deletions	Transfers	Balance June 30, 1997
Land	\$5,090,752				\$5,090,752
Improvements	4,880,028				4,880,028
Buildings	74,183,111			\$1,800,580	74,883,671
Equipment	25,090,708	\$1,848,376	\$787,708		25,990,288
Library books	9,290,292	597,552			9,887,814
Construction in progress	<u>                    </u>	<u>4,589,158</u>	<u>                    </u>	<u>(7,680,880)</u>	<u>2,817,578</u>
<b>Total</b>	<u>\$175,378,859</u>	<u>\$6,724,094</u>	<u>\$787,708</u>	<u>None</u>	<u>\$174,875,124</u>

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
Land	\$6,808,752			\$6,808,752
Improvements	4,880,028			4,880,028
Buildings	74,883,671			74,883,671
Equipment	28,980,288	\$2,511,800	(\$1,383,333)	29,990,552
Library books	8,853,814	\$77,321		18,421,138
Construction in progress	<u>2,817,578</u>	<u>5,204,384</u>	<u>                    </u>	<u>9,081,968</u>
<b>Total</b>	<u>\$124,325,124</u>	<u>\$7,804,384</u>	<u>(\$1,205,933)</u>	<u>\$130,483,698</u>

In accordance with R.S. 39:321-332, the university has complied with the Louisiana movable property statutes.

**18. AUXILIARY ENTERPRISES**

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the year ended June 30, 1997, is shown as follows:

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)**

	Real Estate	Foundry	Bookstore	Student Center	Other	Total
Net income (losses)						
In fund balance:	\$204,076	\$558,225	\$273,994	\$414,488	\$856,434	\$2,307,217
Net income	\$207,489	\$76,348	\$88,797	\$260,073	\$251,880	\$804,587
Net assets	\$2,426,156	474,544	\$,600,664	(716,828)	1,231,667	\$3,816,503
Outstanding principal and interest on debt		\$,500,000			\$295,700	\$795,700
Annual principal and interest on debt		Variable			Variable	Variable

**20. FOUNDATIONS**

The accompanying financial statements do not include the accounts of Northeast Louisiana University Foundation, Incorporated; Northeast Louisiana University Athletic Scholarship Foundation, Incorporated; and Northeast Louisiana University Alumni Association. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

Northeast Louisiana University has contracted with the Northeast Louisiana Foundation to invest the university's 4 Endowed Chairs for Eminent Scholars endowment funds and 25 Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3284. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$500,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$80,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education.

The original endowment base totaled \$9,500,000. To protect against inflation, this amount has been increased by a portion of the interest earned, computed in accordance with regulations of the Board of Regents for Higher Education, bringing the endowment base to \$9,894,058 at June 30, 1997. During the year ended June 30, 1997, the foundation earned \$411,662 of interest income on these endowment funds. At June 30, 1997, the foundation held in its custody \$7,435,894 of Endowed Chairs for Eminent Scholars and Endowed Professorship Program funds. As shown on Statement A, an amount has been established as due from the foundation for the University's 45 percent, totaling \$2,970,377.

**NORTHEAST LOUISIANA UNIVERSITY**  
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Notes to the Financial Statements (Continued)

**21. DEFERRED COMPENSATION PLAN**

Certain employees of the university participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**22. PRIOR YEAR FUND BALANCE RESTATED**

As shown in note 20, the university has contracted with its foundation to invest the university's Endowed Chairs for Eminent Scholars and Endowed Professorship Program endowment funds. The state's 40 percent ownership of these funds was not reported for the fiscal year ended June 30, 1995, but has been reported on the university's financial statements beginning with the fiscal year ended June 30, 1996. As shown on Statement D, the beginning fund balance has been restated to reflect this change as follows:

Endowment Fund Balance:	
June 30, 1995	NONE
Add university portion of foundation endowments	<u>\$2,882,801</u>
Fund balance, restated July 1, 1995	<u>\$2,882,801</u>

**23. RELATED PARTY TRANSACTIONS**

On September 11, 1995, the athletic director entered into a contract with a cellular phone company whereby the university was obligated to pay for charges resulting from the usage of cellular phones by the coaching staff. The total amount of charges reflected in the accompanying financial statements are \$1,628 for the fiscal year ended June 30, 1995, and \$10,969 for the fiscal year ended June 30, 1997. At the time this contract was signed, the athletic director was under a pre-existing contract with an affiliate of the cellular phone company. This personal services contract was terminated on June 30, 1995.

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
As of and for the Year Ended June 30, 1987**

The following supplemental information schedules present the Schedule of Individual Agency Fund Balances and the Schedule of Endowment Fund Balances for amounts included in the totals presented on Statement A for the Agency Funds and Endowment Funds.

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

**Schedule of Individual Agency Fund Balances  
For the Year Ended June 30, 1997**

AGC Student Chapter	82,531
Allied Health Student Insurance	3,889
Alumni Center	5,431
Allied Health Continuing Education	10,197
Alignment Program	2,249
Basic Training Academy	34,823
Best Practice 89	4,998
Center for Professional Development	12,905
Child Development Lab	13,811
Christmas Dinners	3,870
Computer Learning Center	31,783
Dental Hygiene Continuing Education	4,849
IV (Dupuis) Scholarship	3,588
Employee Activity	2,770
Fast Forward Open 87	15,369
Garden of Learning	18,030
Gerontology Education	20,005
GIT Summer Camp	4,848
International Organization Council	3,400
Internships	8,824
Juvenile Office Training	4,511
L/L Kampus Kids	3,375
RZDM	19,994
KNLU Radio	79,843
Marriage and Family Counseling Lab	18,248
NECC	3,295
NLU Baral Travel	8,211
ROTC Agency Fund	2,312
SGDC Camp Enterprise	4,893
Sandef Library	35,701
SGDC Endreg Outreach	8,876
Social Studies Fair	4,797
Student Government Association	24,353
Student publications	28,894
Summer Music Camp	9,575
T. H. Harris Scholarship	7,138
Union Board	87,424
Water Ski Team	4,158
Wetland competency	10,890
EFT Stafford Loans	1,118,184
Other deposits held for others	21,200
<b>Total</b>	<b><u>\$1,701,437</u></b>

**NORTHEAST LOUISIANA UNIVERSITY  
STATE OF LOUISIANA**

**Schedule of Individual Endowment Fund Balances  
For the Year Ended June 30, 1997**

**Eminent Scholars**

Bledarham Eminent Scholars Chair in Gerontology	\$500,251
Eminent Scholars Chair of Construction	489,243
Kitty DeGree Eminent Scholars - Toxicology	435,958
Hanna Spjaker Eminent Scholars - Education	459,694
<b>Total Eminent Scholars</b>	<u>1,884,146</u>

**Endowed Professorships**

NLU Endowed Professorship in Communicative Disorders	45,022
Kitty DeOrto Professorship in Computer Science	49,483
Association of General Contractors Professorship in Construction	43,468
Association of General Contractors Professorship in Construction	43,678
Kitty DeGree Professorship in Education	44,348
NLU Endowed Professorship in Education Administration	47,565
NLU Endowed Professorship in Entrepreneurship	54,343
NLU Endowed Professorship in Geology	47,497
NLU Endowed Professorship in Gerontology	49,168
State Farm Professorship in Insurance	49,958
NLU Endowed Professorship in Liberal Arts	44,595
NLU Endowed Professorship in Nursing	44,629
Sister Liguori Laveton Professorship in Nursing	44,603
Sister Anne Marie Twissig Professorship in Nursing	42,537
Greenwood Endowed Professorship in Nursing	42,718
Crawley Professorship in Nursing	41,524
Plaza/W.J. Robinson Professorship	46,109
Scott Endowment in Agriculture	44,412
Scott Endowment in Teaching	44,294
Clacke Williams Professorship	44,708
Waste Management Professorship in Toxicology	43,921
John Luffey Professorship - Accounting	42,253
DeGree Professorship - Occupational Therapy	42,272
Ermy Liu Bledarham Professorship - Music	42,151
Abell Professorship - Entrepreneurship	41,894
<b>Total Endowed Professorships</b>	<u>1,123,191</u>

**Total**

**\$2,870,217**

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



DARRELL S. BYLLE, PRESIDENT, OFFICE  
LEGISLATIVE AUDITOR

OFFICE OF  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
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November 14, 1987

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Financial Statements Performed In  
Accordance with Government Auditing Standards

**NORTHEAST LOUISIANA UNIVERSITY**  
**STATE OF LOUISIANA**  
Monroe, Louisiana

We have audited the financial statements of Northeast Louisiana University, a component unit of the State of Louisiana, as of June 30, 1987, and for the years ended June 30, 1987 and 1986, and have issued our report thereon dated November 14, 1987. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Northeast Louisiana University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northeast Louisiana University's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, would adversely affect Northeast Louisiana University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.



**NORTHEAST LOUISIANA UNIVERSITY**  
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**Inadequate Monitoring of Financial Position**

Northeast Louisiana University did not adequately monitor its General Fund's financial position during the fiscal year ended June 30, 1997. An adequate internal control system includes procedures to ensure that the university matches expenditures with available resources and does not spend more funds than it has or will collect. During the third quarter of the fiscal year, management began to address the revenue shortfall that had begun during the first quarter when enrollment decreased by approximately 5 percent. At that point, expenditure reduction was insufficient to handle the magnitude of the shortfall in tuition and fee revenue, and alternative measures were required. Ultimately, approximately \$1 million of expenditures were transferred to various other funds to avoid a deficit. In addition, the auxiliary funds of the university continue to operate at a deficit and rather than taking steps to eliminate the overall deficit, the university continues to expend more funds than are available.

Management has not placed the necessary emphasis on the overall operations of the university to ensure that only available resources are used. As a result, the university has been placed in a position of using resources from other funds to cover General Fund expenditures and has depleted reserves to a possibly dangerous low level. In addition, the university continues to expend money that is not available in its Auxiliary Fund that increases the deficit in this fund.

Northeast Louisiana University's management should ensure that university operations are monitored more closely and expenditures are regulated in a manner that will prevent a future deficit situation. In a letter dated November 13, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and is taking positive steps to improve the monitoring of its financial position.

**Lack of Accountability Over Complimentary  
Sporting Event Tickets**

Northeast Louisiana University issued in excess of 95,000 complimentary tickets to sporting events during the fiscal year ended June 30, 1997, while continuing to report a deficit in the athletic auxiliary fund. It is management's responsibility to exercise prudence in controlling the issuance of athletic tickets and to safeguard assets by establishing accountability and reconciling balances timely. In addition, adequate internal controls would ensure that the university collects revenues sufficient to cover corresponding expenditures. Through discussions with university personnel and review of university records, the following matters were disclosed:

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1. Approximately 22,400 tickets were issued to corporate sponsors, 9,480 to booster groups, and 1,550 to car dealers. Management was unable to provide a detailed listing, in a timely manner, of exactly who received these tickets. In relation to the majority of the tickets issued, university personnel informed us that contributions are made to the athletic foundation, a nonprofit organization; therefore, these funds were not deposited in university accounts.
2. Management was also unable to provide detailed listings of who the remaining complimentary tickets (approximately 22,500) were issued to nor could they provide documentation to support that these complimentary tickets were issued in compliance with the University of Louisiana System complimentary ticket policy.
3. The total number of complimentary tickets exceeded the number of tickets sold for these sporting events during the year.

These conditions exist because management has not placed considerable emphasis upon accountability, control, and safeguarding of all assets. As a result of the university not adequately controlling complimentary tickets, the university lost the opportunity to receive revenue from the sale of these tickets that is needed since the athletic programs are currently reporting a deficit in excess of \$500,000.

Northeast Louisiana University should review the policies and procedures in place relating to complimentary tickets and establish the necessary controls to provide accountability and to reduce the risk of additional losses. In a letter dated November 10, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university partially concurs with the finding. The university questions the inclusion of approximately 22,500 complimentary tickets that they believe were issued in accordance with the University of Louisiana System policy. The university further provides that approximately 22,500 complimentary tickets were given to the athletic foundation and corporate sponsors, and in return the university received \$420,000 in revenue to the athletic department. Finally, management stated that it would immediately initiate procedures to maximize accountability, control, and safeguarding of assets.

**Additional Comments:** The university did not provide adequate documentation to support the issuance of 22,500 complimentary tickets in accordance with system policy. Even though the university received the sum of \$420,000 from the athletic foundation, there was not adequate documentation to show that these funds were directly associated with the 22,500 complimentary tickets issued to the foundation and corporate sponsors. In addition, the athletic foundation is a nonprofit organization

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#### Compliance and Internal Control Report

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established to support the university and by its very nature would provide funding to the university. Finally, the issuing of complimentary tickets may be a violation of Article 7, Section 14 of the Louisiana Constitution of 1974, which provides that things of value may not be given by a state agency to anyone, either public or private.

#### Inadequate Controls Over Athletic Revenues

For the third consecutive year, Northeast Louisiana University has not maintained adequate control over all athletic revenues. Good internal controls and business practices require establishment of accountability for all revenues earned, as well as maintenance of complete and orderly records to support the distribution of tickets and to ensure that all revenue from ticket sales is received. During our review of athletic revenue, we noted the following exceptions:

1. For a home football game with Northwestern State University:
  - The university could not fully account for all unsold youth tickets, valued at approximately \$10,160. As a result, we were unable to ascertain that reported sales of approximately \$1,360 in youth tickets corresponded with youth tickets actually sold.
  - The game ticket summary report and the related pre-print ticket report did not reconcile. The game ticket summary report details ticket sales and the pre-print ticket report details the number of tickets printed before game day. The applicable sections of these reports disagreed and we were unable to determine which, if either, was correct.
  - The game ticket summary report and the related tickets printed report and unsold tickets on hand did not reconcile. This event reflected that more tickets were sold than were printed. Management had no explanation for this occurrence.
2. There is a lack of accountability for tickets provided by opposing teams when the university is playing an away game. Occasionally, both complimentary and for-sale tickets are provided to the university by opposing teams. The value of the tickets sold is reduced from the game guarantee and the unsold tickets are returned. The university has not established adequate procedures for reconciling total tickets received, sold, complimentary, or returned.

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3. Records maintained for damaged tickets are inadequate. Ticket stock is occasionally destroyed during ticket numbering. In the absence of inventoried ticket stock and documentation of damaged ticket stock, it is impossible to determine if all tickets have been accounted for.
4. General admission not stock tickets are not adequately inventoried. Full stock tickets are purchased in bulk and stored in a vault in the athletic ticket manager's office. There is no inventory maintained on these tickets and withdrawals from the vault for selling purposes or issuance for complimentary tickets are not recorded.
5. Reported game revenue and bank deposits do not reconcile. Revenue generated by each individual game is not traceable to bank deposits because the accounting system does not provide for specific accounts for each event. In addition, one daily deposit was \$50 short of total cash collected per the ticket seller report and a \$184 overage was recorded to ticket revenue instead of the oversight account.

These conditions exist because management has not placed the necessary emphasis on procedures to assure that athletic ticket revenues are properly accounted for. As a result, the university does not have assurance that all revenues collected relating to sporting events are properly received and reflected in university records.

Northeast Louisiana University should review all procedures related to ticket printing, numbering, selling, and reporting, and establish procedures that will ensure accountability for all tickets. In a letter dated October 23, 1997, Mr. Lawton L. Swearingen, Jr., President, stated that the university concurred with the finding and that changes are being implemented to address the matters noted in our audit.

### Ineffective Internal Audit Function

Northeast Louisiana University does not have an effective internal audit function to examine, evaluate, and report on its system of internal controls and to evaluate its compliance with the policies and procedures of the control system. Act 17 of the 1996 Regular Session of the Louisiana Legislature requires agencies with an appropriation level in excess of \$50 million to use existing program resources and table of organization for the purpose of establishing an internal auditor position. The university has established the required position; however, the position remained unfilled for over eight months of the current fiscal year. Considering the university's reported assets (\$158,681,801) and its operating revenues (\$68,645,166), we believe that an

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effective internal audit function is needed to ensure that the university's assets are safeguarded and that the university's policies and procedures are uniformly applied.

Northeast Louisiana University should take the necessary steps to establish an effective internal audit function by staffing the internal auditor position with an employee who is assigned and performs only the duties of an internal auditor. In a letter dated August 12, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university will advertise the internal auditor position vacancy and solicit applications during August, and will recommend the best qualified applicant to the University System Board for approval in September.

### **Lack of Documentation of Discarded Books**

Northeast Louisiana University does not obtain or prepare adequate supporting documentation for the disposition of obsolete, damaged, or donated items of inventory. An adequate internal control system would provide formal written policies and procedures that ensure that damaged, obsolete, or donated goods are disposed of in an appropriate manner. Through discussions with university personnel and review of university records, approximately \$48,800 of bookstore inventory was determined to have been disposed of as obsolete, damaged, or donated goods. Approximately \$8,500 of this was donated to the Friends of the Library, an organization that sells used books and uses the money to purchase equipment for the library. The remaining \$40,300 of obsolete books was discarded in the trash dumpsters.

Management's lack of emphasis for establishing a control system to govern the disposition of obsolete, damaged, or donated goods has resulted in approximately \$40,300 of bookstore inventory being improperly disposed. Because of the lack of supporting documentation, accountability cannot be established.

Northeast Louisiana University should review the policies and procedures in place at the bookstore and establish the necessary controls to ensure that obsolete, damaged, or donated goods are disposed of appropriately. In a letter dated September 28, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and has revised its procedures to ensure that adequate documentation is provided for all disposition of books.

### **Inadequate Controls Over Bookstore Cash**

Northeast Louisiana University does not have adequate internal controls over bookstore cash. It is management's responsibility to provide for, and maintain, adequate internal controls over cash, to include safeguarding of assets by establishing

## LEGISLATIVE ADDRESS

### NORTHEAST LOUISIANA UNIVERSITY

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accountability, reconciling balances, and performing timely investigations of missing funds. Through discussions with university personnel and review of university records, the following matters were disclosed:

1. Approximately \$3,150 of petty cash/change fund was reported missing over a six-month period from August 1995 through February 1996. This apparent theft was charged to the expenditure category "Other Charges" in the Auxiliary Fund for the year ended June 30, 1996.
2. Approximately \$300 was reported stolen from the university's Booth Store in July 1996, and another \$300 was reported stolen in August 1996. The Booth Store is operated in the Piccadilly Mall walkway. Both of these thefts reportedly occurred after normal business hours.

These conditions exist because management has not placed considerable emphasis upon accountability and safeguarding of all assets. Since the university did not adequately safeguard cash through a system of established accountability and physical security, approximately \$3,750 of cash was apparently stolen.

Northeast Louisiana University should review the policies and procedures in place at the bookstore and at the Booth Store and establish the necessary controls to reduce the risk of additional losses. In a letter dated September 29, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and has implemented additional procedures designed to preclude a recurrence of these matters.

#### Inadequate Controls Over Accounts

##### Payable Disbursements

Northeast Louisiana University does not have adequate segregation of duties within the accounts payable function and has other weaknesses that increase the risk of misappropriation of funds. Adequate internal control policies and procedures require that the university design a system that discourages incompatible functions that could permit an employee to conceal the misappropriation of funds. In addition, policies and procedures should require manual signatures on large checks, rather than using signature plates. In our consideration of the accounts payable function, we noted the following:

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1. One person controlled access to check-signing signature plates, the check-signing machine, and the blank checks.
2. Employees of the accounts payable department
  - Process payments to vendors
  - Have access to blank checks
  - Have access to the signature plates
  - Sort and distribute signed accounts payable checks
3. The university has not established a policy requiring manual signatures on large checks.
4. The individuals whose signatures are represented on the signature plates do not control signature plates.

These conditions exist primarily from the reassignment of duties in the absence of filling vacancies, without adequate consideration being given to the impact on internal controls. Allowing employees the access noted previously increases the opportunity to prepare invalid checks, apply valid signatures, and process the checks without being questioned by the financial institutions. This, combined with the absence of a policy requiring manual signatures on large checks, allows the possibility for large-scale fraud and the inability to recover the loss from the financial institution.

Northeast Louisiana University should establish adequate segregation of duties within the accounts payable function and should establish policies and procedures to reduce the risk of large-scale misappropriation of funds. In a letter dated October 1, 1997, Mr. Leveon L. Swearingen, Jr., President, stated that the university concurred with the finding and has implemented additional control procedures to address this matter.

### **Inadequate Control Over Mail Receipts**

Northeast Louisiana University has not maintained adequate control over mail receipts. Good business practices require accountability for all revenues received, as well as maintenance of complete and orderly records to support accountability. A test of mail logs for the two years ending June 30, 1997, revealed the following matters for checks received through the mail by the Controller's Office:

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1. The university created a risk of loss of revenue from checks received through the mail. While these checks are maintained in a locked money bag that is stored in the controller's receptionist desk drawer, the drawer is not always locked when the desk is unattended. The check log prepared to account for the checks received each day is not totaled to facilitate accountability between individuals handling the checks. The individual responsible for transporting the checks to the university bank is not accompanied by security personnel, nor do they transport the checks in the locked money bag.
2. The university was unable to provide timely and efficient verification that all checks received through the mail were actually deposited into the university bank and recorded into the accounting records. The checks and logs are received by university bank personnel, signed for, and placed on a counter within the cashier's area. As time permits, individual cashiers take a portion of the checks and key in the information to record the revenue. No one person keys in the total amount of checks from one check log. Therefore, there is never an accounting for the total checks received for each day's activity. In addition, the university's computer system does not permit easy or efficient retrieval of this information to allow for accountability of the total checks received.

These conditions exist because management has not placed considerable emphasis upon accountability and safeguarding of all revenue received. As a result, the risk of unrecoverable loss because of carelessness or misappropriation is increased.

Northeast Louisiana University should ensure that all checks received in the mail are adequately secured in the Controller's Office and during transportation to the university bank. In addition, each daily batch of checks should be processed by one individual to retain accountability and to provide for efficient and timely retrieval of financial data from the accounting system. In a letter dated September 28, 1997, Mr. Lewton L. Swearingen, Jr., President, stated that the university has implemented additional controls to reduce the risk of loss of mail receipt revenue.

### **Failure to Obtain Approval for Telecommunication Contract**

Northeast Louisiana University entered into a three-year telecommunication services contract beginning July 1, 1995, without obtaining proper approval from an authorized agent of the university. The university requires all contracts that bind the university to



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be submitted through the purchasing department for approval and the president's signature.

The original purpose of the contract previously cited was to provide for an athletic sponsorship between a cellular telephone provider and the Northeast Louisiana University Athletic Scholarship Foundation (Foundation). The athletic director of the university signed the contract, which was within his authority as agent for the Foundation. The contract states that the sponsor would provide \$17,000 per year to the Foundation. In addition, the sponsor would provide 12 cellular telephone activations (numbers) and the loan of up to 12 transportable telephones to be associated with the numbers provided, with an allowance of 100 free minutes of use per telephone each month. However, the contract specifically identified the university, not the Foundation, as the responsible party to pay for excess minutes.

In addition, it was determined that the athletic director also had a business relationship with a telephone provider, an affiliate of the cellular telephone provider. This relationship involved providing personal appearances on behalf of the local telephone provider. This relationship was in effect during the period of time the contract was signed, but was terminated on June 30, 1996.

For the two years ended June 30, 1997, included in the \$16,007 of charges in excess of the free minutes provided by the contract, there was approximately \$1,733 of charges billed to an individual coach on his personal cellular phone, which was ultimately paid by the university. The reasoning provided was that the charges were business-related; however, there is no evidence to support this claim.

Northeast Louisiana University should establish appropriate contracting policies and procedures governing contracting to include an independent review function to ensure that the university is protected from unnecessary exposures. In a letter dated October 1, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and has reinforced the policy requiring that all contracts which bind the university be submitted through the purchasing department for approval before signature by an authorized agent of the university.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable

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conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the finding related to ineffective internal audit function to be a material weakness.

**Other Reports Issued by the Legislative Auditor**

In a specified procedures report dated December 10, 1995, the legislative auditor reported that the internal controls over safeguarding of cash receipts at Northeast Louisiana University were inadequate, which contributed to a theft of \$1,000 from the athletic ticket office. The university campus police has conducted an investigation and reimbursement of the stolen funds has been received from the Office of Risk Management.

This report is intended for the information and use of the university and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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OFFICE OF  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
BAYOU FOUSSÉ, LOUISIANA 70004-0001

DANIEL S. EYRE, PH.D., CPA, CFE,  
LEGISLATIVE AUDITOR

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November 14, 1997

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Financial Statements Performed in  
accordance with Government Auditing Standards

**NORTHEAST LOUISIANA UNIVERSITY**  
**STATE OF LOUISIANA**  
Monroe, Louisiana

We have audited the financial statements of Northeast Louisiana University, a component unit of the State of Louisiana, as of June 30, 1997, and for the years ended June 30, 1997 and 1995, and have issued our report thereon dated November 14, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Northeast Louisiana University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northeast Louisiana University's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Northeast Louisiana University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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### Inadequate Monitoring of Financial Position

Northeast Louisiana University did not adequately monitor its General Fund's financial position during the fiscal year ended June 30, 1997. An adequate internal control system includes procedures to ensure that the university matches expenditures with available resources and does not spend more funds than it has or will collect. During the third quarter of the fiscal year, management began to address the revenue shortfall that had begun during the first quarter when enrollment decreased by approximately 5 percent. At that point, expenditure reduction was insufficient to handle the magnitude of the shortfall in tuition and fee revenue, and alternative measures were required. Ultimately, approximately \$1 million of expenditures were transferred to various other funds to avoid a deficit. In addition, the auxiliary funds of the university continue to operate at a deficit and rather than taking steps to eliminate the overall deficit, the university continues to spend more funds than are available.

Management has not placed the necessary emphasis on the overall operations of the university to ensure that only available resources are used. As a result, the university has been placed in a position of using resources from other funds to cover General Fund expenditures and has depleted reserves to a possibly dangerous low level. In addition, the university continues to expend money that is not available in its Auxiliary Fund that increases the deficit in this fund.

Northeast Louisiana University's management should ensure that university operations are monitored more closely and expenditures are regulated in a manner that will prevent a future deficit situation. In a letter dated November 13, 1997, Mr. Lawson L. Sweetinger, Jr., President, stated that the university concurred with the finding and is taking positive steps to improve the monitoring of its financial position.

### Lack of Accountability Over Complimentary Sporting Event Tickets

Northeast Louisiana University issued in excess of 50,000 complimentary tickets to sporting events during the fiscal year ended June 30, 1997, while continuing to report a deficit in the athletic auxiliary fund. It is management's responsibility to exercise prudence in controlling the issuance of athletic tickets and to safeguard assets by establishing accountability and reconciling balances timely. In addition, adequate internal controls would ensure that the university collects revenues sufficient to cover corresponding expenditures. Through discussions with university personnel and review of university records, the following matters were disclosed:

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1. Approximately 22,400 tickets were issued to corporate sponsors, 9,400 to booster groups, and 1,650 to car dealers. Management was unable to provide a detailed listing, in a timely manner, of exactly who received these tickets. In relation to the majority of the tickets issued, university personnel informed us that contributions are made to the athletic foundation, a nonprofit organization; therefore, these funds were not deposited in university accounts.
2. Management was also unable to provide detailed listings of who the remaining complimentary tickets (approximately 22,500) were issued to nor could they provide documentation to support that these complimentary tickets were issued in compliance with the University of Louisiana System complimentary ticket policy.
3. The total number of complimentary tickets exceeded the number of tickets sold for these sporting events during the year.

These conditions exist because management has not placed considerable emphasis upon accountability, control, and safeguarding of all assets. As a result of the university not adequately controlling complimentary tickets, the university lost the opportunity to receive revenue from the sale of these tickets that is needed since the athletic programs are currently reporting a deficit in excess of \$500,000.

Northeast Louisiana University should review the policies and procedures in place relating to complimentary tickets and establish the necessary controls to provide accountability and to reduce the risk of additional losses. In a letter dated November 13, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university partially concurs with the finding. The university questions the inclusion of approximately 22,500 complimentary tickets that they believe were issued in accordance with the University of Louisiana System policy. The university further provides that approximately 22,500 complimentary tickets were given to the athletic foundation and corporate sponsors, and in return the university received \$420,000 in revenues to the athletic department. Finally, management stated that it would immediately initiate procedures to maximize accountability, control, and safeguarding of assets.

**Additional Comments:** The university did not provide adequate documentation to support the issuance of 22,500 complimentary tickets in accordance with system policy. Even though the university received the sum of \$420,000 from the athletic foundation, there was not adequate documentation to show that those funds were directly associated with the 22,500 complimentary tickets issued to the foundation and corporate sponsors. In addition, the athletic foundation is a nonprofit organization

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established to support the university and by its very nature would provide funding to the university. Finally, the issuing of complimentary tickets may be a violation of Article 7, Section 14 of the Louisiana Constitution of 1974, which provides that things of value may not be given by a state agency to anyone, either public or private.

### Inadequate Controls Over Athletic Revenues

For the third consecutive year, Northeast Louisiana University has not maintained adequate control over all athletic revenues. Good internal controls and business practices require establishment of accountability for all revenues earned, as well as maintenance of complete and orderly records to support the distribution of tickets and to ensure that all revenue from ticket sales is received. During our review of athletic revenues, we noted the following exceptions:

1. For a home football game with Northwestern State University:
  - The university could not fully account for all unsold youth tickets, valued at approximately \$15,150. As a result, we were unable to ascertain that reported sales of approximately \$1,000 in youth tickets corresponded with youth tickets actually sold.
  - The game ticket summary report and the related pre-print ticket report did not reconcile. The game ticket summary report details ticket sales and the pre-print ticket report details the number of tickets printed before game day. The applicable sections of these reports disagreed and we were unable to determine which, if either, was correct.
  - The game ticket summary report and the related tickets printed report and unsold tickets on hand did not reconcile. This event reflected that more tickets were sold than were printed. Management had no explanation for this occurrence.
2. There is a lack of accountability for tickets provided by opposing teams when the university is playing an away game. Occasionally, both complimentary and for-sale tickets are provided to the university by opposing teams. The value of the tickets sold is reduced from the game guarantee and the unsold tickets are returned. The university has not established adequate procedures for reconciling total tickets received, sold, complimentary, or returned.

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3. Records maintained for damaged tickets are inadequate. Ticket stock is occasionally destroyed during ticket numbering. In the absence of inventoried ticket stock and documentation of damaged ticket stock, it is impossible to determine if all tickets have been accounted for.
4. General admission roll stock tickets are not adequately inventoried. Roll stock tickets are purchased in bulk and stored in a vault in the athletic ticket manager's office. There is no inventory maintained on these tickets and withdrawals from the vault for selling purposes or issuance for complimentary tickets are not recorded.
5. Reported game revenue and bank deposits do not reconcile. Revenue generated by cash individual game is not traceable to bank deposits because the accounting system does not provide for specific accounts for each event. In addition, one daily deposit was \$50 short of total cash collected per the ticket seller report and a \$1184 coverage was recorded to ticket revenue instead of the overfunded account.

These conditions exist because management has not placed the necessary emphasis on procedures to ensure that athletic ticket revenues are properly accounted for. As a result, the university does not have assurance that all revenues collected relating to sporting events are properly received and reflected in university records.

Northeast Louisiana University should review all procedures related to ticket printing, numbering, selling, and reporting, and establish procedures that will ensure accountability for all tickets. In a letter dated October 23, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and that changes are being implemented to address the matters noted in our audit.

### Ineffective Internal Audit Function

Northeast Louisiana University does not have an effective internal audit function to examine, evaluate, and report on its systems of internal controls and to evaluate its compliance with the policies and procedures of the control system. Act 17 of the 1996 Regular Session of the Louisiana Legislature requires agencies with an appropriation level in excess of \$30 million to use existing program resources and table of organization for the purpose of establishing an internal auditor position. The university has established the required position; however, the position remained unstaffed for over eight months of the current fiscal year. Considering the university's reported assets (\$156,691,891) and its operating revenues (\$96,045,185), we believe that an

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effective internal audit function is needed to ensure that the university's assets are safeguarded and that the university's policies and procedures are uniformly applied.

Northeast Louisiana University should take the necessary steps to establish an effective internal audit function by staffing the internal auditor position with an employee who is assigned and performs only the duties of an internal auditor. In a letter dated August 12, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university will advertise the internal auditor position vacancy and solicit applications during August, and will recommend the best qualified applicant to the University System board for approval in September.

### **Lack of Documentation of Discarded Books**

Northeast Louisiana University does not obtain or prepare adequate supporting documentation for the disposition of obsolete, damaged, or donated items of inventory. An adequate internal control system would provide formal written policies and procedures that ensure that damaged, obsolete, or donated goods are disposed of in an appropriate manner. Through discussions with university personnel and review of university records, approximately \$49,800 of bookstore inventory was determined to have been disposed of as obsolete, damaged, or donated goods. Approximately \$9,600 of this was donated to the Friends of the Library, an organization that sells used books and uses the money to purchase equipment for the library. The remaining \$40,200 of obsolete books was discarded in the trash dumpsters.

Management's lack of emphasis for establishing a control system to govern the disposition of obsolete, damaged, or donated goods has resulted in approximately \$49,800 of bookstore inventory being improperly disposed. Because of the lack of supporting documentation, accountability cannot be established.

Northeast Louisiana University should review the policies and procedures in place at the bookstore and establish the necessary controls to ensure that obsolete, damaged, or donated goods are disposed of appropriately. In a letter dated September 25, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and has revised its procedures to ensure that adequate documentation is provided for all disposition of books.

### **Inadequate Controls Over Bookstore Cash**

Northeast Louisiana University does not have adequate internal controls over bookstore cash. It is management's responsibility to provide for, and maintain, adequate internal controls over cash, to include safeguarding of assets by establishing



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accountability, reconciling balances, and performing timely investigations of missing funds. Through discussions with university personnel and review of university records, the following matters were disclosed:

1. Approximately \$3,150 of petty cash/change fund was reported missing over a six-month period from August 1996 through February 1997. This apparent theft was charged to the expenditure category "Other Charges" in the Auxiliary Fund for the year ended June 30, 1997.
2. Approximately \$200 was reported stolen from the university's Booth Store in July 1995, and another \$300 was reported stolen in August 1995. The Booth Store is operated in the Pecanland Mall walkway. Both of these thefts reportedly occurred after normal business hours.

These conditions exist because management has not placed considerable emphasis upon accountability and safeguarding of all assets. Since the university did not adequately safeguard cash through a system of established accountability and physical security, approximately \$3,750 of cash was apparently stolen.

Northeast Louisiana University should review the policies and procedures in place at the bookstore and at the Booth Store and establish the necessary controls to reduce the risk of additional losses. In a letter dated September 25, 1997, Mr. Lawson L. Swearingen, Jr., President, stated that the university concurred with the finding and has implemented additional procedures designed to preclude a recurrence of these matters.

### **Inadequate Controls Over Accounts Payable Disbursements**

Northeast Louisiana University does not have adequate segregation of duties within the accounts payable function and has other weaknesses that increase the risk of misappropriation of funds. Adequate internal control policies and procedures require that the university design a system that discourages incompatible functions that could permit an employee to conceal the misappropriation of funds. In addition, policies and procedures should require manual signatures on large checks, rather than using signature plates. In our consideration of the accounts payable function, we noted the following:

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1. One person controlled access to check-signing signature plates, the check-signing machine, and the blank checks.
2. Employees of the accounts payable department:
  - Process payments to vendors
  - Have access to blank checks
  - Have access to the signature plates
  - Sort and distribute signed accounts payable checks
3. The university has not established a policy requiring manual signatures on large checks.
4. The individuals whose signatures are represented on the signature plates do not control signature plates.

These conditions exist primarily from the reassignment of duties in the absence of filling vacancies, without adequate consideration being given to the impact on internal controls. Allowing employees the access noted previously increases the opportunity to prepare invalid checks, apply valid signatures, and process the checks without being questioned by the financial institutions. This, combined with the absence of a policy requiring manual signatures on large checks, allows the possibility for large-scale fraud and the inability to recover the loss from the financial institution.

Northeast Louisiana University should establish adequate segregation of duties within the accounts payable function and should establish policies and procedures to reduce the risk of large-scale misappropriation of funds. In a letter dated October 1, 1997, Mr. Lawton L. Swearingen, Jr., President, stated that the university concurred with the finding and has implemented additional control procedures to address this matter.

#### Inadequate Control Over Mail Receipts

Northeast Louisiana University has not maintained adequate control over mail receipts. Good business practices require accountability for all revenues received, as well as maintenance of complete and orderly records to support accountability. A test of mail logs for the two years ending June 30, 1997, revealed the following matters for checks received through the mail by the Comptroller's Office:

## LEGISLATIVE ASSISTANT

NORTHEAST LOUISIANA UNIVERSITY  
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1. The university created a risk of loss of revenue from checks received through the mail. While these checks are maintained in a locked money bag that is stored in the controller's receptionist desk drawer, the drawer is not always locked when the desk is unattended. The check log prepared to account for the checks received each day is not totaled to facilitate accountability between individuals handling the checks. The individual responsible for transporting the checks to the university bank is not accompanied by security personnel, nor do they transport the checks in the locked money bag.
2. The university was unable to provide timely and efficient verification that all checks received through the mail were actually deposited into the university bank and recorded into the accounting records. The checks and logs are received by university bank personnel, signed for, and placed on a counter within the cashier's area. As time permits, individual cashiers take a portion of the checks and key in the information to record the revenue. No one person keeps in the total amount of checks from one check log. Therefore, there is never an accounting for the total checks received for each day's activity. In addition, the university's computer system does not permit easy or efficient retrieval of this information to allow for accountability of the total checks received.

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Northeast Louisiana University should ensure that all checks received in the mail are adequately secured in the Controller's Office and during transportation to the university bank. In addition, each daily batch of checks should be processed by one individual to retain accountability and to provide for efficient and timely retrieval of financial data from the accounting system. In a letter dated September 28, 1987, Mr. Lawson L. Sewaringer, Jr., President, stated that the university has implemented additional controls to reduce the risk of loss of real receipt revenue.

### **Failure to Obtain Approval for Telecommunication Contract**

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## LEGISLATIVE AUDITOR

NORTHEAST LOUISIANA UNIVERSITY  
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In a specified procedures report dated December 10, 1996, the legislative auditor reported that the internal controls over safeguarding of cash receipts at Northeast Louisiana University were inadequate, which contributed to a theft of \$1,998 from the athletic ticket office. The university campus police has conducted an investigation and reimbursement of the stolen funds has been received from the Office of Risk Management.

This report is intended for the information and use of the university and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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