

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Grambling State University  
State of Louisiana  
Grambling, Louisiana

May 23, 2000

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***Financial and Compliance Audit Division***

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

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**GRAMBLING STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Grambling, Louisiana

General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1999, and for the Years  
Ended June 30, 1999 and 1998  
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 Baton Rouge and Shreveport offices of the *Legislative Auditor* and at the office of the parish clerk of court.

May 23, 2000

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
Grambling, Louisiana**

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1999, and for the Years  
Ended June 30, 1999 and 1998  
With Supplemental Information Schedules**

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

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May 4, 2000

Independent Auditor's Report  
on the Financial Statements

**GRAMBLING STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Grambling, Louisiana

We attempted to audit the accompanying general purpose financial statements of Grambling State University, a component unit of the State of Louisiana, as of June 30, 1999, and for the years ended June 30, 1999 and 1998, as listed in the foregoing table of contents. These financial statements are the responsibility of management of Grambling State University.

The university's accounting records were not complete and contained major inadequacies. Management represented to us that the financial statements were complete and that all accounting records were provided for our review. However, financial records for the Grambling State University Foundation, Inc., indicate that funds received by the university from private donors were deposited directly into Foundation bank accounts and were not properly recorded in the university's accounting records. Furthermore, management did not make auditors aware that such transactions were excluded from the financial statements. The other inadequacies include a check register with significant errors and omissions, a lack of bank reconciliations (including no bank reconciliation at June 30, 1999), unsupported journal vouchers, and inadequate controls and record-keeping for inventories of materials and supplies and movable property. Furthermore, adjustments made to the beginning fund balance of the Restricted Fund in the Statement of Changes in Fund Balances for the year ended June 30, 1998, have not been adequately documented and explained. These inadequacies made it impractical to apply sufficient audit procedures to enable us to express an opinion on the fair presentation of the accompanying general purpose financial statements.

Because of the significance of the matters discussed in the preceding paragraph and our resulting concern relating to the integrity of management, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph or on the accompanying supplemental information schedules.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2000, on our consideration of Grambling State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of attempting an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our engagement.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

CAC:MAN:DSP:ss  
(GSU)

UNAUDITED

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Balance Sheet - All Funds, June 30, 1999**

	CURRENT FUNDS			STUDENT	ENDOWMENT
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	LOAN FUNDS	FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$52,712		\$3,161,245	\$261,239	\$232,055
Investments	998,330	\$1,588,071	312,717		1,375,863
Accrued interest	4,344	7,031	9,364	328,533	886
Accounts receivable	873,622	1,145,269	1,678,246	7,020	
Notes receivable		28,891		973,702	
Due from other funds					
Deferred charges and prepaid expenses	368,543		10,978		
Inventories	438,756	279,425			
Other assets	4,733				
Institutional plant					
<b>TOTAL ASSETS</b>	<b>\$2,741,040</b>	<b>\$3,048,687</b>	<b>\$5,172,550</b>	<b>\$1,570,494</b>	<b>\$1,608,804</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable	\$284,927	\$614,523	\$144,042		
Accrued payrolls and other liabilities	912,173	624,376	93,072		
Due to state treasury	526		564,483		
Due to other funds		616,830			
Deposits held for others		248,246	4,686		
Deferred revenues	1,104,659	36,644	448		
Notes payable					
Compensated absences payable	1,681,032	652,702	117,713		
Bonds payable					
<b>Total Liabilities</b>	<b>3,983,316</b>	<b>2,793,321</b>	<b>924,444</b>	<b>NONE</b>	<b>NONE</b>
<b>Fund equity:</b>					
Net investment in plant					
<b>Fund balances:</b>					
Reserved for debt service					
Reserved for inventories	438,756				
Reserved for encumbrances		54,670	910,454		
Current operations - unrestricted	(1,681,032)	200,696			
Current operations - restricted			3,337,652		
<b>Noncurrent operations:</b>					
Restricted				\$1,570,494	
Endowment					\$1,608,804
<b>Total Fund Equity (deficit)</b>	<b>(1,242,276)</b>	<b>255,366</b>	<b>4,248,106</b>	<b>1,570,494</b>	<b>1,608,804</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$2,741,040</b>	<b>\$3,048,687</b>	<b>\$5,172,550</b>	<b>\$1,570,494</b>	<b>\$1,608,804</b>

The accompanying notes are an integral part of this statement.

Statement A

UNEXPENDED	PLANT FUNDS			AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT		
\$1,696,048	\$863,906	\$937,330		\$87,850	\$7,292,385
					4,274,981
4,920					355,078
50,421					3,754,578
					1,002,593
616,830					616,830
					379,521
					718,182
					4,733
			\$147,493,842		147,493,842
<u>\$2,368,219</u>	<u>\$863,906</u>	<u>\$937,330</u>	<u>\$147,493,842</u>	<u>\$87,850</u>	<u>\$165,892,723</u>
\$13,718					\$1,057,210
					1,629,621
					565,009
					616,830
				\$87,850	340,782
					1,141,751
			\$3,068,450		3,068,450
					2,451,447
			2,294,000		2,294,000
<u>13,718</u>	<u>NONE</u>	<u>NONE</u>	<u>5,362,450</u>	<u>87,850</u>	<u>13,165,100</u>
			142,131,392		142,131,392
	\$600,000	\$937,330			1,537,330
					438,756
214,098					1,179,222
2,140,403	263,906				923,973
					3,337,652
					1,570,494
					1,608,804
<u>2,354,501</u>	<u>863,906</u>	<u>937,330</u>	<u>142,131,392</u>	<u>NONE</u>	<u>152,727,623</u>
<u>\$2,368,219</u>	<u>\$863,906</u>	<u>\$937,330</u>	<u>\$147,493,842</u>	<u>\$87,850</u>	<u>\$165,892,723</u>



UNAUDITED

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Statement of Changes in Fund Balances  
For the Year Ended June 30, 1999**

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	UNRESTRICTED		RESTRICTED		
	GENERAL	AUXILIARY ENTERPRISES			
Revenues and other additions:					
Unrestricted current fund revenues				\$34,248	
Tuition and fees - restricted	\$42,770,480		\$797,275		
Governmental grants and contracts:					
Federal			16,076,623		
State			312,801		
Private gifts, grants, and contracts			24,939		
Investment income - restricted					\$96,158
Endowment income			121,020		
Auxiliary enterprise revenues		\$8,490,618			
Interest on loans receivable				48,720	
Retirement of indebtedness					
Additions to plant facilities					
Other sources			493,050	14,974	
Total revenues and other additions	<u>42,770,480</u>	<u>8,490,618</u>	<u>17,825,708</u>	<u>97,942</u>	<u>96,158</u>
Expenditures and other deductions:					
Educational and general	37,503,882		19,591,798		
Auxiliary enterprises		9,062,697			
Expended for plant facilities					
Indirect costs recovered			257,541		
Loan cancellations and write-offs				21,021	
Retirement of indebtedness					
Interest on indebtedness					
Refunded to grantors			1,069,751		
Disposal of plant facilities					
Compensated absences	172,783	(11,154)	38,701		
Other	175,873				
Total expenditures and other deductions	<u>37,852,538</u>	<u>9,051,543</u>	<u>20,957,791</u>	<u>21,021</u>	<u>NONE</u>
Transfers among funds - additions (deductions):					
Mandatory:					
Principal and interest		(711,929)			
Other			(100,944)		100,944
Nonmandatory - other	(5,090,724)	1,675,000	3,316,944		
Total transfers among funds	<u>(5,090,724)</u>	<u>963,071</u>	<u>3,216,000</u>	<u>NONE</u>	<u>100,944</u>
Inventory increase (decrease)	<u>109,208</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	(63,575)	402,146	83,917	76,921	197,102
Fund balances (deficit) at July 1, 1998, restated	<u>(1,178,701)</u>	<u>(146,781)</u>	<u>4,164,188</u>	<u>1,493,573</u>	<u>1,411,702</u>
Fund balances (deficit) at June 30, 1999	<u>(\$1,242,276)</u>	<u>\$255,365</u>	<u>\$4,248,106</u>	<u>\$1,570,494</u>	<u>\$1,608,804</u>

The accompanying notes are an integral part of this statement.

Statement B

PLANT FUNDS				TOTAL
UNEXPENDED	RENEWALS AND RETIREMENT OF REPLACEMENTS	INDEBTEDNESS	INVESTMENT IN PLANT	(MEMORANDUM ONLY)
				\$34,248
\$140,191		\$70,657		43,778,603
				16,076,623
				312,801
				24,939
157,757				253,915
				121,020
				8,490,618
				48,720
			\$681,856	681,856
			5,053,639	5,053,639
18,520				526,544
<u>316,468</u>	<u>NONE</u>	<u>70,657</u>	<u>5,735,495</u>	<u>75,403,526</u>
				57,095,680
				9,062,697
450,671				450,671
				257,541
				21,021
		441,810		441,810
		174,415		174,415
				1,069,751
			1,474,121	1,474,121
				200,330
		151		176,024
<u>450,671</u>	<u>NONE</u>	<u>616,376</u>	<u>1,474,121</u>	<u>70,424,061</u>
		711,929		
				(98,780)
<u>NONE</u>	<u>NONE</u>	<u>711,929</u>	<u>NONE</u>	<u>(98,780)</u>
				109,208
(134,203)	NONE	166,210	4,261,374	4,989,892
<u>2,488,704</u>	<u>\$863,906</u>	<u>771,120</u>	<u>137,870,018</u>	<u>147,737,729</u>
<u>\$2,354,501</u>	<u>\$863,906</u>	<u>\$937,330</u>	<u>\$142,131,392</u>	<u>\$152,727,622</u>

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

**Statement of Revenues, Expenditures,  
and Other Changes  
For the Year Ended June 30, 1999**

	<u>GENERAL</u>	<u>AUXILIARY ENTERPRISES</u>	<u>RESTRICTED</u>
Revenues:			
Tuition and fees	\$17,156,431	\$5,286,811	\$797,275
State appropriations	23,896,492		
Governmental grants and contracts:			
Federal			16,076,623
State			312,801
Local	982,860		
Private gifts, grants, and contracts			24,939
Sales and services of education departments	129,141		
Investment income:	147,850		
Endowment income			121,020
Auxiliary enterprise revenue		3,203,807	
Administrative expense recovery	168,890		
Other sources	288,816		493,050
Total revenues	<u>42,770,480</u>	<u>8,490,618</u>	<u>17,825,708</u>
Expenditures and transfers:			
Educational and general:			
Instruction	16,545,536		2,530,388
Research	46,593		2,202,701
Public service			2,580
Academic support	4,710,241		1,415,871
Student services	2,177,870		1,385,450
Institutional support	6,674,343		1,383,053
Operations and maintenance of plant	5,368,450		263,730
Scholarships and fellowships	1,980,850		10,369,324
Compensated absences	172,783	(11,154)	38,701
Other	175,873		
Total educational and general expenditures	<u>37,852,540</u>	<u>(11,154)</u>	<u>19,591,798</u>
Mandatory transfers for - principal and interest		711,929	
Nonmandatory transfers - other	5,090,723	(1,773,760)	(3,316,944)
Total mandatory and nonmandatory transfers	<u>5,090,723</u>	<u>(1,061,831)</u>	<u>(3,316,944)</u>
Auxiliary enterprises - expenditures	NONE	9,161,457	NONE
Total expenditures and transfers	<u>42,943,263</u>	<u>8,088,472</u>	<u>16,274,854</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenue			1,114,052
Inventory increase	109,208		
Other			(2,580,989)
Total other additions (deductions)	<u>109,208</u>	<u>NONE</u>	<u>(1,466,937)</u>
Net increase (decrease) in fund balances	<u>(\$63,575)</u>	<u>\$402,146</u>	<u>\$83,917</u>

The accompanying notes are an integral part of this statement.

UNAUDITED

GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA

Statement of Changes in Fund Balances  
For the Year Ended June 30, 1998

	CURRENT FUNDS			STUDENT LOAN FUNDS
	UNRESTRICTED		RESTRICTED	
	GENERAL	AUXILIARY ENTERPRISES		
Revenues and other additions:				
Unrestricted current fund revenues	\$42,147,759			
Tuition and fees - restricted			\$1,840,469	\$18,681
Governmental grants and contracts:				
Federal			16,184,772	
State			328,645	
Private gifts, grants, and contracts			230,540	
Investment income - restricted				
Endowment income			301,568	
Auxiliary enterprise revenues		\$11,503,701		
Interest on loans receivable				23,962
Retirement of indebtedness				
Additions to plant facilities				
Other sources			452,851	1,124
Total revenues and other additions	<u>42,147,759</u>	<u>11,503,701</u>	<u>19,338,845</u>	<u>43,767</u>
Expenditures and other deductions:				
Educational and general	36,854,467		19,120,153	
Auxiliary enterprises		13,700,712		
Auxiliary equipment purchases		264,002		
Indirect costs recovered			380,263	
Loan cancellations and write-offs				140,374
Retirement of indebtedness				
Interest on indebtedness				
Refunded to grantors			1,143,546	44,457
Disposal of plant facilities				
Interagency transfers to OFPC				
Compensated absences	(290,329)	(19,382)	53,401	
Other				
Total expenditures and other deductions	<u>36,564,138</u>	<u>13,945,332</u>	<u>20,697,363</u>	<u>184,831</u>
Transfers among funds - additions (deductions):				
Mandatory - principal and interest		(693,093)		
Nonmandatory - other	(5,294,299)	1,939,184	3,355,115	
Total transfers among funds	<u>(5,294,299)</u>	<u>1,246,091</u>	<u>3,355,115</u>	<u>NONE</u>
Inventory increase (decrease)	<u>(24,418)</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	264,904	(1,195,540)	1,996,597	(141,064)
Fund balances (deficit) at July 1, 1997, restated	<u>(1,443,605)</u>	<u>1,048,759</u>	<u>2,167,591</u>	<u>1,634,637</u>
Fund balances (deficit) at June 30, 1998	<u>(\$1,178,701)</u>	<u>(\$146,781)</u>	<u>\$4,164,188</u>	<u>\$1,493,573</u>

The accompanying notes are an integral part of this statement.

Statement D

ENDOWMENT FUNDS	PLANT FUNDS			INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
					\$42,147,759
	\$164,931		\$77,645		2,101,726
					16,184,772
					328,645
\$78,778	147,916				230,540
					226,694
					301,568
					11,503,701
					23,962
				\$690,319	690,319
				3,626,145	3,626,145
	17,521				471,496
<u>78,778</u>	<u>330,368</u>	<u>NONE</u>	<u>77,645</u>	<u>4,316,464</u>	<u>77,837,327</u>
					55,974,620
					13,700,712
					264,002
					380,263
					140,374
			556,351		556,351
			191,731		191,731
					1,188,003
				24,249	24,249
	100,000				100,000
					(256,310)
100,944	494,195		406		595,545
<u>100,944</u>	<u>594,195</u>	<u>NONE</u>	<u>748,488</u>	<u>24,249</u>	<u>72,859,540</u>
			693,093		
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>693,093</u>	<u>NONE</u>	<u>NONE</u>
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>(24,418)</u>
(22,166)	(263,827)	NONE	22,250	4,292,215	4,953,369
1,433,868	2,752,531	\$863,906	748,870	133,577,804	142,784,361
<u>\$1,411,702</u>	<u>\$2,488,704</u>	<u>\$863,906</u>	<u>\$771,120</u>	<u>\$137,870,019</u>	<u>\$147,737,730</u>

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
CURRENT FUNDS**

**Statement of Revenues, Expenditures,  
and Other Changes  
For the Year Ended June 30, 1998**

	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues:			
Tuition and fees	\$16,607,378	\$8,326,500	\$1,014,927
State appropriations	23,656,536		145,744
Governmental grants and contracts:			
Federal			15,118,777
State			236,427
Local	1,009,124		
Private gifts, grants, and contracts			2,513
Sales and services of education departments	36,756		
Investment income	294,434		
Endowment income			25,359
Auxiliary enterprise revenue		3,177,201	
Administrative expense recovery	416,558		
Other sources	126,973		687,534
Total revenues	<u>42,147,759</u>	<u>11,503,701</u>	<u>17,231,281</u>
Expenditures and transfers:			
Educational and general:			
Instruction	17,226,851		1,320,027
Research	44,058		1,953,267
Academic support	4,246,323		1,728,338
Student services	2,107,553		1,662,536
Institutional support	6,815,147		1,643,657
Operations and maintenance of plant	4,322,650		145,744
Scholarships and fellowships	2,091,885		10,666,584
Compensated absences	(290,329)	(19,382)	53,401
Other			
Total educational and general expenditures	<u>36,564,138</u>	<u>(19,382)</u>	<u>19,173,554</u>
Nonmandatory transfers - other	5,294,299	(1,939,184)	(3,355,115)
Auxiliary enterprises:			
Expenditures		13,964,714	
Mandatory transfers for - principal and interest		693,093	
Total expenditures and transfers	<u>41,858,437</u>	<u>12,699,241</u>	<u>15,818,439</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenue			2,107,564
Inventory increase (decrease)	(24,418)		
Other			(1,523,809)
Net increase (decrease) in fund balances	<u>\$264,904</u>	<u>(\$1,195,540)</u>	<u>\$1,996,597</u>

The accompanying notes are an integral part of this statement.

UNAUDITED

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of June 30, 1999, and for the  
Years Ended June 30, 1999 and 1998

**INTRODUCTION**

Grambling State 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 Board of Supervisors of the University of Louisiana System; 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 lapsing appropriations made by the Louisiana Legislature.

Grambling State University is located in Grambling, Louisiana, and serves as a cultural and educational center for north Louisiana. The university offers associate, baccalaureate, and selected masters and specialist degrees in the areas of liberal arts, education, business administration, the sciences and science-related technologies, nursing, and social work. Enrollment at the university was 5,070, 4,833, and 2,102, respectively, during the fall, spring, and summer semesters of fiscal year 1999; and 5,859 and 5,494, respectively, during the fall and spring semesters of fiscal year 1998. The university has 857 full-time faculty and staff members at June 30, 1999.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF PRESENTATION**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In July of 1984, the GASB issued Statement 1, which provided that all statements and interpretations issued by the National Council on Governmental Accounting (NCGA) continue as generally accepted accounting principles until altered, amended, supplemented, revoked or superseded by subsequent GASB pronouncements.

The GASB recognized two models for college and university accounting and financial reporting in GASB Statement 15: the AICPA College Guide Model, AICPA Industry Audit Guide, *Audits of Colleges and Universities*; and the Governmental model, established by the National Council on Governmental Accounting, *Governmental Accounting and Financial Reporting Principles*. For financial reporting, the Division of Administration has chosen the former. The accompanying financial statements have been prepared in accordance with the AICPA College Guide.

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

The GASB, Code 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. As such, the accompanying financial statements present information only as to the transactions of the programs of the university as authorized by Louisiana statutes and administrative regulations.

**2. THE REPORTING ENTITY**

Grambling State University is a publicly supported institution of higher education. GASB Statement 14, *The Financial Reporting Entity*, establishes the institution as a blended 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.

**3. FUND ACCOUNTING**

In order to ensure observance of limitations and restrictions placed on the use of resources available, 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 activities or objectives specified. 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 transactions have been reported by fund groups. A brief description of each of the fund groups follows:

**Current Funds**

Current funds are operating funds that will be expended in the near term. Such funds have two basic sub-groups, 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 include the auxiliary enterprise funds and gifts, grants, or contracts from governmental or private agencies.



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### GRAMBLING STATE UNIVERSITY STATE OF LOUISIANA 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. Income derived from investments of endowments is accounted for in the fund, or if restricted, as revenue in restricted current funds or if unrestricted, as revenue in unrestricted current funds.

#### **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 renewals and replacements are set aside from current operating revenues for the renewal and replacement of auxiliary enterprise properties with the exception noted in Note B. Funds for retirement of indebtedness are used to service plant indebtedness of the university. Investment in plant includes all long lived assets of the university.

#### **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.

#### **4. 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) inventories of the General Fund are recorded as expenditures at the time of purchase; and (3) summer school tuition and fees, faculty salaries and related benefits for June are not prorated, but *deferred to the succeeding year*.

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.

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

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 normal acquisitions, repairs, and renovations; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a non-mandatory nature for all other cases.

5. BUDGET PRACTICES

The annual budget for the General Fund of the university is established by annual legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Board of Regents (BOR) and the legislative budget process is required. The other funds of the university, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process. State law provides that appropriations lapse at the end of the fiscal year with the exception noted in Note B. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) inventories in the General Fund are recorded as expenditures at the time of purchase; (3) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (4) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (5) certain capital leases are not recorded.

The original budgeted amount includes restricted state appropriations totaling \$2,326,706, which were transferred to the Restricted Fund. The amounts approved were as follows:

	<u>1999</u>
State appropriations:	
Formula	\$20,579,549
Operational funds from BOR	503,715
Library and scientific funds from BOR	486,522
Desegregation settlement funds	2,326,706
Federal funds	330,000
Self-generated funds	<u>24,140,602</u>
Total budgeted amount	<u><u>\$48,367,094</u></u>

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

The budgeted amounts include the restricted state appropriations totaling \$3,355,115, which are reported in the Restricted Fund. The budget amounts include the original approved budget and subsequent amendments approved as follows:

		<u>1998</u>
Original approved budget		\$43,158,162
Amendments:		
Desegregation settlement agreement	\$2,289,917	
Library Enhancement Fund	383,340	
Academic Enhancement Fund	<u>681,858</u>	<u>3,355,115</u>
Total budgeted amount		<u><u>\$46,513,277</u></u>

**6. CASH, CASH EQUIVALENTS AND INVESTMENTS**

For reporting purposes, cash and cash equivalents include petty cash, demand deposits, time deposits, and certificates of deposit. Cash and cash equivalents are stated at cost, which approximates market. Under state law the deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank, and 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.

Grambling State University maintains investment accounts as authorized by Louisiana Revised Statute (R.S.) 49:327(C)(3). University investments include U.S. Government securities. Investments are stated at fair market value, and investments received as gifts are recorded initially at market value at date of acquisition.

**7. INVENTORIES**

Inventories are valued at the lower of cost or market for the warehouse inventory. The university uses both perpetual and periodic inventory systems and values its inventories using the first-in, first-out (FIFO) and weighted-average valuation methods. Inventories in the General Fund are recorded as expenditures at the time of purchase. Year-end balances are offset by a fund balance reserve that indicates this portion of the fund balance does not constitute "available spendable resources." The inventories of the auxiliary enterprise funds are expensed when sold or used.

**GRAMBLING STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

**8. PLANT ASSETS**

Physical plant and equipment are stated at cost at the date of acquisition, fair market value at date of donation in the case of gifts, or estimated historical cost if actual cost is not known. Public domain or infrastructure assets are not capitalized. Construction in progress is capitalized during construction based on actual expenditures incurred by the university and the Office of Facility Planning. Depreciation on physical plant and equipment is not recorded.

**9. DEFERRED REVENUES**

Tuition and fees collected as of June 30, 1999, but applicable to the 1999 summer session and certain revenues from other programs or activities to be conducted primarily in the fiscal year are reported as deferred revenues/credits. Expenses related to this session's programs and activities are reported in the period the tuition and fees are recognized as revenues.

**10. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve fund balances, is employed by the university during the year. 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, 1999, as provided by R.S. 39:82.

**11. TOTAL COLUMN ON COMBINED  
STATEMENTS - OVERVIEW**

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

**B. GENERAL FUND**

As provided by Act 971 of 1985 [Louisiana Revised Statute 17:3886(A)], the university adopted a building and facility preventive maintenance program, which was approved by the Louisiana Board of Regents. This program allows the university to expend appropriated funds during the subsequent fiscal years that were unexpended and unobligated as of June 30, 1999. At least 50 percent of these funds must be used solely for preventive maintenance purposes in accordance with the approved plan, subject to approval by the supervisory board, the Louisiana

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**GRAMBLING STATE UNIVERSITY**  
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 Notes to the Financial Statements (Continued)

Board of Regents, and the Joint Legislative Committee on the Budget. A total of \$526 will be transferred for this purpose.

**C. BUDGETARY COMPARISON**

The following is an appropriation budgetary comparison for current year appropriation General Fund:

	June 30, 1999			Variance Favorable (Unfavorable)
	Actual	Adjustment to Budget Basis	Budget	
<b>Revenues</b>				
Appropriated by legislature:				
State General Fund (Direct)	\$23,896,492		\$23,896,492	
State General Fund by self-generated revenues	18,705,098		24,140,602	(\$5,435,504)
Federal funds	168,890		330,000	(161,110)
Total revenues	<u>42,770,480</u>	NONE	<u>48,367,094</u>	<u>(5,596,614)</u>
<b>Expenditures</b>				
Program expenditures	42,770,480		48,367,094	5,596,614
Total expenditures	<u>42,770,480</u>	NONE	<u>48,367,094</u>	<u>5,596,614</u>
<b>Unexpended appropriation - current year</b>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

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**GRAMBLING STATE UNIVERSITY  
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Notes to the Financial Statements (Continued)

	June 30, 1998		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Appropriated by legislature:			
State General Fund (Direct)	\$21,297,376	\$21,297,376	
State General Fund by self-generated revenues	22,556,741	18,074,665	(\$4,482,076)
Federal funds	300,000	416,558	116,558
Library/Academic Enhancement from BOR	1,065,198	1,065,198	
Desegregation carryover from management board	1,293,962	1,293,962	
Total revenues	<u>46,513,277</u>	<u>42,147,759</u>	<u>(4,365,518)</u>
<b>Expenditures</b>			
Program expenditures	<u>46,513,277</u>	<u>42,147,759</u>	<u>4,365,518</u>
<b>Unexpended appropriation - current year</b>			
	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

**D. PLANT FUNDS**

A summary of investment in plant follows:

	Balance July 1, 1997	Additions	Deletions	Financial Statement Balance June 30, 1998
Land	\$6,030,247			\$6,030,247
Improvements	2,352,427			2,352,427
Buildings	88,904,609	\$345,042	\$286	89,249,365
Equipment	28,601,392	1,367,230	1,282,065	28,686,557
Library books	12,387,256	342,000	23,963	12,705,293
Construction in progress	1,820,315	2,853,937		4,674,252
Total	<u>\$140,096,246</u>	<u>\$4,908,209</u>	<u>\$1,306,314</u>	<u>\$143,698,141</u>

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

Beginning Balance Per 1999 Financial Statement	Additions	Deletions	Balance June 30, 1999
\$6,030,247			\$6,030,247
2,352,427			2,352,427
89,249,365			89,249,365
28,686,557	\$1,725,432	(\$1,382,827)	29,029,162
12,705,293	381,944	(556,968)	12,530,269
4,674,252	3,628,119		8,302,371
<u>\$143,698,142</u>	<u>\$5,735,495</u>	<u>(\$1,939,795)</u>	<u>\$147,493,842</u>

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**GRAMBLING STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

The following is a summary of the debt service requirements of the various bond issues at June 30, 1999, and the amount available to meet those requirements:

<u>Issue</u>	<u>Cash/ Investment Reserves Available</u>	<u>Reserve Requirements</u>	<u>Excess</u>
Renewals and Replacements Fund - Student Housing System Repair and Replacement Reserve Account	\$863,906	\$600,000	\$263,906
Retirement of Indebtedness Fund:			
Student Housing System			
Revenue Bonds	511,700	511,700	
Academic Facilities Building			
Use Fee Revenue Bonds	81,420	81,420	
United States Department of			
Education Notes	155,750	155,750	
Total Retirement of Indebtedness	748,870	748,870	NONE
Fund			
Total	<u>\$1,612,776</u>	<u>\$1,348,870</u>	<u>\$263,906</u>

**E. ACCOUNTS RECEIVABLE**

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

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
General	\$2,369,917	\$1,496,295	\$873,622
Auxiliary Enterprise	1,852,835	707,566	1,145,269
Restricted	1,832,043	153,797	1,678,246
Student Loan	7,020		7,020
Unexpended Plant	130,123	79,702	50,421
Total	<u>\$6,191,938</u>	<u>\$2,437,360</u>	<u>\$3,754,578</u>



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**GRAMBLING STATE UNIVERSITY**  
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 Notes to the Financial Statements (Continued)

**F. INTERFUND BORROWING**

Substantially all cash received by the university is deposited into a pooled cash account. Each fund with monies deposited into the account has equity in the account. Certain funds included in the pooled cash account have made disbursements in excess of their individual equities. The balances of these amounts have been aggregated by fund and reported on Statement A as due to other funds.

<u>Interfund Loan</u>	<u>Amount</u>	<u>Terms of Repayment Schedule</u>
Auxiliary Fund - due to Unexpended Plant	<u>\$616,830</u>	Immediate
Total	<u><u>\$616,830</u></u>	

**G. DUE FROM PRIVATE FOUNDATIONS**

There are no matching funds received by the university from the state pursuant to the endowed chair and professorship program and no related unexpended earnings shown on the accompanying financial statements as "Due From Private Foundations" at June 30, 1999.

**H. CHANGES IN LONG-TERM DEBT**

The following is a summary of bond and notes payable transactions of the university for the two years ended June 30, 1999:

	<u>Bonds</u>	<u>Notes</u>	<u>Total</u>
Outstanding July 1, 1997	\$3,127,000	\$3,233,611	\$6,360,611
Retired - 1998	<u>475,000</u>	<u>81,351</u>	<u>556,351</u>
Outstanding at June 30, 1998	2,652,000	3,152,260	5,804,260
Retired - 1999	<u>358,000</u>	<u>83,810</u>	<u>441,810</u>
Outstanding at June 30, 1999	<u><u>\$2,294,000</u></u>	<u><u>\$3,068,450</u></u>	<u><u>\$5,362,450</u></u>

A detailed summary, by issues, of all debt outstanding for each of the two years ended June 30, 1999, including outstanding interest is shown at Schedules 1 and 3. Amortization schedules of outstanding debt are shown at Schedules 2 and 4.

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

**I. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine month faculty members do not accrue annual leave, but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave (K-time) 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, unclassified and academic personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave which would otherwise have been used to compute years of service for retirement.

Upon retirement, any sick or annual leave not compensated for is used as credited service in either the Louisiana Teachers' Retirement System or the Louisiana State Employees' Retirement System. Upon retirement or transfer, a classified employee will be paid for any time and one-half 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 employees' hourly rate of pay at termination or transfer. The liability for unused annual leave and sick leave at June 30, 1999, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C 60.105, is estimated to be \$2,191,277 and \$260,170, respectively. The leave payable is recorded in the accompanying financial statements.

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

Grambling State University does not have any on-behalf payments for fringe benefits for the fiscal year 1999.

**K. CONTINGENT LIABILITES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by General Fund appropriation and are not reflected in the accompanying general purpose financial statements. The university is involved in two lawsuits at June 30, 1999.

**L. LEASE OBLIGATIONS**

Grambling State University did not have any capital lease obligations as of June 30, 1999.

**GRAMBLING STATE UNIVERSITY**  
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Notes to the Financial Statements (Continued)

**M. 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. Disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

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

Grambling State 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. For the three years ended June 30, 1997, 1998, and 1999, the costs of these retirees' benefits totaled \$501,464 for 205 retirees, \$523,342 for 214 retirees, and \$553,254 for 215 retirees, respectively.

**O. CASH AND INVESTMENTS**

As reflected in Statement A, the university has cash and cash equivalents totaling \$7,292,385 at June 30, 1999. Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount of deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved. The following is a summary of cash and cash equivalents at June 30, 1999, with the related federal deposit insurance and pledged securities, excluding amounts held within the State Treasury:

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 Notes to the Financial Statements (Continued)

**Deposits in Bank Accounts**

	Cash	Certificates of Deposit	Total
Deposits in Bank Accounts per Balance Sheet	<u>\$5,495,246</u>	<u>\$1,797,137</u>	<u>\$7,292,383</u>
<b>Bank Balances:</b>			
A. Insured (FDIC) or collateralized with securities held by the university or its agent	12,069,434	200,000	12,269,434
B. Collateralized with securities held by pledging financial institution's trust department or university agent in university name		1,597,137	
<b>Total Bank Balances</b>	<u>12,069,434</u>	<u>1,797,137</u>	<u>12,269,434</u>
Difference between Balance Sheet and Total Bank Balances	<u>(\$6,574,188)</u>	<u>NONE</u>	<u>(\$4,977,051)</u>

The following is a breakdown by banking institution, program, and amount of the bank balances shown above:

1. Bank One	Imprest	NONE
2. Bank One	Nursing Student Loan	\$20,142
3. Bank One	Federal Funds	198,846
4. Bank One	Accounts Payable	7,621,334
5. Bank One	General Treasury	NONE
6. Bank One	Payroll	NONE
7. Bank One	Hi-Fi	NONE
8. Grambling Federal Credit Union	All Programs	39,092
9. Grambling Federal Credit Union	All Programs	60,062
10. Community Trust Bank	All Programs	100,000
11. First United Bank of Farmerville	All Programs	820,845
12. First United Bank of Farmerville	All Programs	777,138
Total		<u>\$9,637,459</u>

**Investments**

Grambling State University maintains investment accounts as authorized by Louisiana Revised Statute 49:327. Investments are stated at fair market value. All investment

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 Notes to the Financial Statements (Continued)

income, including changes in the fair market value of investments, are reported as revenue on the financial statement. The market value of investments at June 30, 1999, is as follows:

<u>Type of Investment</u>	<u>Category of Risk</u>			<u>Market Value</u>
	<u>-1-</u>	<u>-2-</u>	<u>-3-</u>	
U.S. Government Securities	\$4,061,180			\$4,061,180
Common Stock	213,800			213,800
Total	<u>\$4,274,980</u>	<u>NONE</u>	<u>NONE</u>	<u>\$4,274,980</u>

**P. STUDENT LOAN FUNDS**

The fund balances of the Student Loan Fund at June 30, 1999, is comprised of the following:

Perkins Loans	\$932,660
Nursing Student Loans	312,058
Other Loans	<u>325,776</u>
Total	<u>\$1,570,494</u>

**Q. AUXILIARY ENTERPRISES**

The increase in the Auxiliary Enterprise Fund for the year ended June 30, 1999, was \$402,146.

**R. RESERVATIONS OF FUND BALANCE**

Fund balances at June 30, 1999, as shown on Statement A, are summarized as follows:

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**GRAMBLING STATE UNIVERSITY  
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Notes to the Financial Statements (Continued)

	Reserved for Inventories	Reserved for Encumbrances	Bond Indentures	Total
Current Funds:				
General	\$438,756			\$438,756
Auxiliary Enterprises		\$54,670		54,670
Restricted		910,454		910,454
Plant Funds:				
Unexpended Plant		214,098		
Renewals and Replacements			\$600,000	600,000
Retirement of Indebtedness			937,330	937,330
Total	<u>\$438,756</u>	<u>\$1,179,222</u>	<u>\$1,537,330</u>	<u>\$2,941,210</u>

**S. ACCOUNTING CHANGES (Not applicable)**

**T. PRIOR-YEAR RESTATEMENT OF  
FUND BALANCE (Not applicable)**

**U. FUND DEFICIT**

The following individual fund types had deficits in unreserved fund balance at June 30, 1999:

Fund	Deficit Amount
General-Unrestricted	\$1,242,276

This deficit is a result of the liability for compensated absences.

**V. FEDERAL GRANTS**

The university participates in a number of federally assisted grant programs reported in the Restricted Fund. These programs are subject to program compliance audits by the grantors, but all such audits for 1999 have not been conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Based on prior experience, the university's management feels such disallowances, if any, will be immaterial.

**W. GRANT AWARDS (Not applicable)**

**X. PLEDGE OF GIFTS (Not applicable)**

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**Y. FOUNDATIONS, ALUMNI ASSOCIATION,  
AND OTHER**

The accompanying financial statements do not include the accounts of the Grambling State University Foundation, Incorporated; those statements are audited by an independent Certified Public Accountant.

**Z. RELATED PARTY TRANSACTIONS (Not applicable)**

**A1. SUBSEQUENT EVENTS**

No events of a material nature have occurred subsequent to the balance sheet date that would require adjustment to the accompanying financial statements. Grambling State University has experienced a change in financial leadership in the Finance Division with the departure of the previous Vice President for Finance, Melvin Davis, and the previous Comptroller, Thelma Jones. On September 1, 1999, James E. Scott assumed the duties of Acting Vice President for Finance.

The Grambling State University Foundation, an external entity, has declared bankruptcy. Per a letter from the Bankruptcy Trustee on November 12, 1999, unsecured creditors filed claims. The effect of the bankruptcy, if any, is not known at this time.

**B1. PER DIEM PAID BOARD MEMBERS**

The university made no per diem payments to board members.

**C1. INTERAGENCY TRANSFERS TO OFFICE OF  
FACILITY PLANNING AND CONTROL (Not applicable)**

**D1. RETIREMENT BENEFITS**

Substantially all of the employees of the university belong to the State Employees (LASERS), Teachers Retirement (TRS), or School Employees' Retirement Systems, all of which are cost-sharing multiple employer defined benefit pension plans. Each system is a statewide public employee retirement system and is available to all eligible employees. The Systems publish yearly annual financial reports which include detailed historical, financial, and actuarial information.

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. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 16.5% of covered salaries to TRS and 12.4% of covered salaries to LASERS for fiscal year 1999. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer

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

contributions to TRS for the years ended June 30, 1999, 1998, 1997, and 1996 were \$2,130,987, \$2,341,917, \$2,574,361, and \$2,524,149, respectively, and to LASERS for the years ended June 30, 1999, 1998, 1997, and 1996 were \$724,004, \$1,282,827, \$1,236,890, and \$1,314,095, respectively.

R.S. 11:921 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 ten or more years.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS.

**E1. YEAR 2000 DISCLOSURE**

To address potential Y2K disruptions and to meet the deadlines established by Executive Orders MJF 96-50 and MJF 98-04, Grambling State University developed a plan of action to assure compliance by the end of calendar year 1999.

The university is 100% complete with its hardware and software conversion process. The university has tested successfully with the Department of Education on applicable federal test requirements. Its status is therefore completed. To meet the objectives, the university was divided into a three-fold Y2K Compliance Triad to address the following:

- a) University Traditional Computers (Hardware & Software)
- b) University Embedded Systems
- c) University Services

This approach for identifying and solving the Year 2000 problem and for compliance monitoring and reporting was further divided into seven phases:

- a) Planning
- b) Inventory
- c) Assessment
- d) Correction
- e) Testing
- f) Implementation
- g) Contingency Planning

Grambling State University is currently in the Contingency Planning Phase. The university has exercised due diligence in the following areas:



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

Traditional Computer Systems (Hardware & Software)

To date the following areas have been tested and systems are now Y2K ready:

SYSTEM	Percent Y2K Ready
Office of the President (PC)	100%
Vice President of Enrollment (PC)	100%
Vice President of Finance (PC)	100%
Accounting/Payroll Department (PC)	100%
Finance Department (PC)	100%
Financial Aid Department (PC)	100%
GAPSWEB Year 2000 Testing	Completed
2000 Testing Pell Grant Data Processing	Completed
Central Processing System Year 2000 School Testing Instructions	Completed
Year 2000 (Y2K) Testing National Student Loan Data System	Completed
Purchasing Department (PC)	100%
(3) Student Technology Labs (PC)	100%
Housing (PC)	100%
Budget Office (PC)	100%
Grants Administration (PC)	100%
College of Business Labs (PC)	100%
Vice President of Student Affairs (PC)	100%
Information Resource Center (PC)	100%
VAX Alpha 8400 System	100%
VAX 4000 Administration System	100%
VAX 4000 Library System	100%
Telephone System	100%
Network Devices	100%
Banner 3.x	100%
Oracle Database	100%
POISE Data Management System	100%
POISE Payroll/Human Resources	100%

PC - Personal Computer

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GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
Notes to the Financial Statements (Concluded)

Embedded Systems

System	Percent Y2K Ready
Electricity	100%
Gas	100%
Water	100%
HVAC	100%
Fire Alarm Systems	100%
Security Alarms	100%
Elevators	100%

Services

Executive Orders 96-50 and 98-04 include sections that require applicable purchasing contracts to include a provision that the items purchased are Year 2000 compliant. These requirements are being specifically addressed by Purchasing at Grambling State University.

To facilitate for all items purchased prior to the executive orders and all subsequent purchases, a mailing list was generated that listed over 1000 vendors who are operating or who have operated with Grambling State University. From that list it was determined which vendors may have products that may be affected by the Y2K anomaly. Patches have been applied to defective systems and 360 letters were sent to vendors requesting Y2K compliance. To date, over 50% of vendors have responded with letters addressing their Y2K readiness. For the vendors who did not respond, a contingency plan was developed. In accordance with the purchasing contingency plan, delinquent vendors have been identified and before any further business is conducted with them, they will be required to certify that all of their products are Y2K compliant.

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
For the Years Ended June 30, 1999 and 1998**

The following supplemental information schedules present the Schedule of Bonds and Notes Payable and the Schedule of Long-Term Debt Amortization for the fiscal years ended June 30, 1999, and June 30, 1998.

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**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Schedule of Bonds and Notes Payable  
For the Year Ended June 30, 1999**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>OUTSTANDING JUNE 30, 1998</u>
<b>Bonds</b>			
Student Housing System Revenue Bonds:			
1965 Series B	October 1, 1965	\$4,000,000	\$1,285,000
1968 Series A	October 1, 1968	625,000	45,000
1968 Series B	October 1, 1968	3,000,000	1,136,000
Academic Facilities Building Use Bonds:			
Fee Revenue Bonds:			
1969 Series G	November 1, 1969	472,000	47,000
1969 Series H	November 1, 1969	125,000	13,000
1969 Series G	July 1, 1970	800,000	126,000
Total Bonds Payable		<u>9,022,000</u>	<u>2,652,000</u>
<b>Notes</b>			
United States Department of Education Notes Payable	May 1, 1993	<u>3,500,000</u>	<u>3,152,260</u>
Grand Total		<u>\$12,522,000</u>	<u>\$5,804,260</u>

Schedule 1

<u>REDEEMED (ISSUED)</u>	<u>OUTSTANDING JUNE 30, 1999</u>	<u>MATURITIE</u>	<u>INTEREST RATES</u>	<u>INTEREST OUTSTANDING JUNE 30, 1999</u>
\$145,000	\$1,140,000	1998 - 2005	3 -3.75%	\$134,531
45,000				
95,000	1,041,000	1999 - 2008	3%	152,235
25,000	22,000	1999	3%	330
7,000	6,000	1999	3%	90
41,000	85,000	1999 - 2000	3%	2,565
<u>358,000</u>	<u>2,294,000</u>			<u>289,751</u>
<u>83,810</u>	<u>3,068,450</u>	1997 - 2024	3%	<u>1,268,523</u>
<u>\$441,810</u>	<u>\$5,362,450</u>			<u>\$1,576,274</u>

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Schedule of Long-Term Debt Amortization  
For the Year Ended June 30, 1999**

	<u>BONDS</u>	<u>LOAN</u>	<u>TOTAL</u>
Fiscal Year Ending:			
2000	\$378,689	\$177,754	\$556,443
2001	366,275	177,754	544,029
2002	313,480	177,754	491,234
2003	304,330	177,754	482,084
2004	315,293	177,754	493,047
Subsequent years	<u>905,684</u>	<u>3,466,203</u>	<u>4,371,887</u>
Total	<u>\$2,583,751</u>	<u>\$4,354,973</u>	<u>\$6,938,724</u>

UNAUDITED

**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Schedule of Bonds and Notes Payable  
For the Year Ended June 30, 1998**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>OUTSTANDING JUNE 30, 1997</u>
<b>Bonds</b>			
Student Housing System Revenue Bonds:			
1965 Series A	October 1, 1965	\$2,649,000	\$124,000
1965 Series B	October 1, 1965	4,000,000	1,430,000
1968 Series A	October 1, 1968	625,000	85,000
1968 Series B	October 1, 1968	3,000,000	1,231,000
Academic Facilities Building Use Bonds:			
Fee Revenue Bonds:			
1969 Series G	November 1, 1969	472,000	72,000
1969 Series H	November 1, 1969	125,000	19,000
1970 Series I	July 1, 1970	800,000	166,000
Total Bonds Payable		<u>11,671,000</u>	<u>3,127,000</u>
<b>Notes</b>			
United States Department of Education Notes Payable	May 1, 1993	<u>3,500,000</u>	<u>3,233,611</u>
Grand Total		<u>\$15,171,000</u>	<u>\$6,360,611</u>

Schedule 3

<u>REDEEMED (ISSUED)</u>	<u>OUTSTANDING JUNE 30, 1998</u>	<u>MATURITIE</u>	<u>INTEREST RATES</u>	<u>INTEREST OUTSTANDING JUNE 30, 1998</u>
\$124,000				
145,000	\$1,285,000	1998 - 2005	3 -3.75%	\$176,513
40,000	45,000	1998	6%	1,350
95,000	1,136,000	1998 - 2008	3%	184,890
25,000	47,000	1998 - 1999	3%	1,365
6,000	13,000	1998 - 1999	3%	375
40,000	126,000	1998 - 2000	3%	5,730
<u>475,000</u>	<u>2,652,000</u>			<u>370,223</u>
<u>81,351</u>	<u>3,152,260</u>	1998 - 2024	3%	<u>1,380,467</u>
<u>\$556,351</u>	<u>\$5,804,260</u>			<u>\$1,750,690</u>



**GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA**

**Schedule of Long-Term Debt Amortization  
For the Year Ended June 30, 1998**

	<u>BONDS</u>	<u>LOAN</u>	<u>TOTAL</u>
Fiscal Year Ending:			
1999	\$438,471	\$177,754	\$616,225
2000	378,689	177,754	556,443
2001	366,275	177,754	544,029
2002	313,480	177,754	491,234
2003	304,330	177,754	482,084
Subsequent years	<u>1,220,978</u>	<u>3,643,957</u>	<u>4,864,935</u>
Total	<u>\$3,022,223</u>	<u>\$4,532,727</u>	<u>\$7,554,950</u>

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



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

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May 4, 2000

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Financial Statements

**GRAMBLING STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Grambling, Louisiana

We were authorized to audit the financial statements of Grambling State University, a component unit of the State of Louisiana, as of June 30, 1999, and for the years ended June 30, 1999 and 1998, as listed in the foregoing table of contents, and have issued our report thereon dated May 4, 2000. Our audit was to have been conducted 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. However, because of inadequacies in the university's accounting records and our concern relating to the integrity of management, we were not able to apply the foregoing standards.

**Compliance**

As part of attempting to obtain reasonable assurance about whether Grambling State 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 instances of noncompliance described in Exhibit B that, although not material to the financial statements, are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Grambling State University's internal control over financial reporting to determine our auditing procedures for the purpose of attempting to express an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, because of inadequacies in the university's accounting controls and records, we were unable to form an opinion on the university's financial statements and related notes. In addition to the matters relating to noncompliance with certain provisions of laws, regulations, contracts and grants, 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 Grambling State University's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Appendix B.

**EXHIBIT A**

LEGISLATIVE AUDITOR

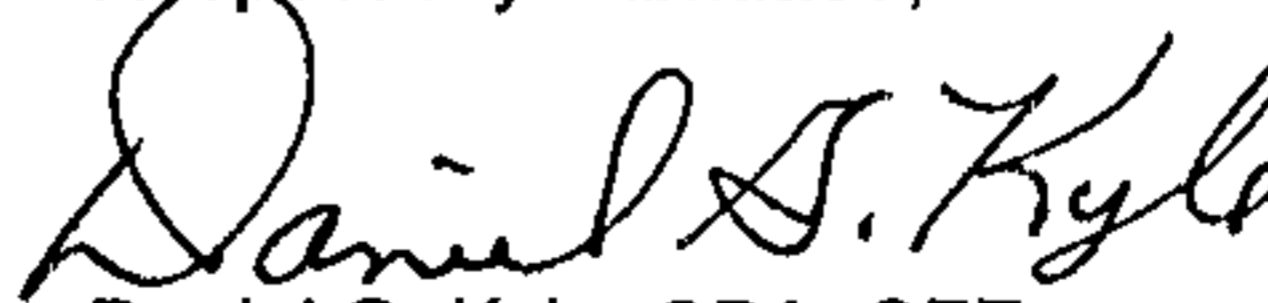
GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA  
Compliance and Internal Control Report  
May 4, 2000  
Page 2

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 conditions that are also considered to be material weaknesses. However, of the reportable conditions included in Appendix B, we consider the following reportable conditions to be material weaknesses:

1. Failure to Disclose Assets to Bankruptcy Court
2. Weaknesses in Controls Over Movable Property
3. Scholarship Violations
4. 1999 Financial Accounting and Reporting Deficiencies
5. Inadequate Documentation to Support the 1998 Financial Statements
6. Inadequate Information Systems Controls
7. Transaction Deficiencies
8. Lack of Bank Reconciliations
9. Weaknesses in Inventory Controls

This report is intended solely for the information and use of Grambling State University and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

CAC:MAN:DSP:ss

[GSU]

EXHIBIT A

May 4, 2000

Findings on Compliance and  
on Internal Control Over Financial Reporting

**GRAMBLING STATE UNIVERSITY**  
**STATE OF LOUISIANA**  
Grambling, Louisiana

**Compliance With Laws, Regulations,  
Contracts, and Grants**

**Failure to Disclose Assets to Bankruptcy Court**

Grambling State University (GSU) held \$111,790 that was paid to the Grambling State University Foundation (Foundation), making the funds unavailable for distribution to other creditors in the Foundation's bankruptcy proceedings. The funds, held in the form of checks from vendors made payable to the Foundation, were paid to the Foundation largely as a result of its participation in the activities associated with the Bayou Classic football game held between GSU and Southern University on November 28, 1998.

The Foundation, which is an entity separate from GSU, has historically been a support organization that sponsored fundraising activities, including those associated with the annual Bayou Classic football game. The Foundation sponsored the 1998 Bayou Classic but had not received all of the related revenues from vendors when it filed for bankruptcy on June 18, 1999. In addition, the Foundation owed GSU at least \$338,573 on the date of the bankruptcy.

Federal statutes address the responsibility of a third party, such as GSU, that holds assets of a debtor that has filed for bankruptcy. United States Code (USC), Title 18, Section 153 states that a person who knowingly takes, spends, or transfers any property that belongs to the estate of a debtor in bankruptcy shall be fined, imprisoned not more than five years, or both. 18 USC 152(9) states that a person who knowingly withholds from the bankruptcy court recorded information (such as documents and records) relating to the property or affairs of a debtor shall be fined, imprisoned not more than five years, or both.

As early as June 9, 1999, before the Foundation filed for bankruptcy, GSU management had possession of three checks totaling \$111,790 that were payable to the Foundation. These checks were for fundraising activities, including \$106,790 in checks specifically from the 1998 Bayou Classic. GSU received the checks because the mailing addresses on the Foundation's checks were mailing addresses used by the university.

**EXHIBIT B**

## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY

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May 4, 2000

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Although GSU management was aware that the Foundation had already filed bankruptcy, the university sent these three checks back to the paying vendors on approximately July 27, 1999, and requested that the checks be reissued to other GSU-related organizations. Two checks totaling \$106,790 were reissued and made payable to the GSU Athletic Foundation, another university support organization, and one check totaling \$5,000 was reissued and made payable to the Tiger Fund, a fundraising account maintained by the university.

The effects of these checks being reissued were that these funds may have been intentionally withheld from the Foundation's bankruptcy proceedings; they were not made available for distribution to creditors in the bankruptcy process; and they were diverted to organizations more beneficial to the university. GSU management may have violated federal statutes that relate to the responsibilities of a third party that holds assets of or information concerning a debtor in bankruptcy.

Management should investigate this situation and take whatever corrective action it deems necessary, to include obtaining legal guidance. Management's response indicates that GSU administrators determined that it was not in the best interest of the university for any more funds to go to the Foundation. Furthermore, management provides that the university has now disclosed the funds to the attorney for the bankruptcy trustee (see Appendix A, pages 1-2).

**Additional Comments:** On June 9, 1999, during our entrance conference with university officials, we were informed that the university president was holding checks payable to the Foundation. During that meeting, we suggested that management discuss this issue with university legal counsel. Management provided us with a letter dated May 5, 2000, indicating that notification was sent to the bankruptcy attorney, almost a year after we suggested it discuss this issue with legal counsel.

In management's response, the university indicates that management practices of the GSU Foundation had become suspect when the Foundation management failed to provide annual audited financial statements as stipulated by state statute. However, we have reviewed documentation that indicates certain Foundation disbursements were made based on the approval of the university president, vice president of finance and administration, and other university representatives. These matters imply that university management exercises significant control over Foundation receipts and disbursements. However, GSU management has elected to exclude the financial operations of Grambling State University Foundation from its general purpose financial statements. If the Foundation, or any other organization affiliated with the university, is deemed to be a completely separate entity, then the university should not assume responsibility for determining where the funds should be deposited or how they should be expended.

## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY STATE OF LOUISIANA

Findings

May 4, 2000

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#### **Weaknesses in Controls Over Movable Property**

Grambling State University did not comply with its internal control policies and procedures over movable property. Louisiana Property Assistance Agency (LPAA) movable property regulations require the university to track the location of movable property items, to include transferring property between locations. In addition, good internal controls require that the university have adequate control procedures to (1) monitor and frequently update the location of property, and (2) safeguard movable property against loss.

A test of movable property items disclosed the following:

- . Four of 30 items (13%) valued at \$4,139 tested for fiscal year 1997-1998 could not be located.
- . Two of 30 items (7%) valued at \$2,934 tested for fiscal year 1997-1998 identified in one department were located in a different department. Two of 30 items (7%) valued at \$9,235 tested for fiscal year 1998-1999 identified in one department were located in a different department.
- . The annual certifications submitted October 10, 1997, and October 9, 1998, indicated increases in previous years' discrepancies. The October 9, 1998, certification reflected increases of \$6,802 for 1995 and \$27,409 for 1997. Previous years' discrepancies should reflect decreases for located property and should not reflect increases. Agencies are allowed to write-off property that has not been located after three years. By adding the property to previous discrepancy reports, the university is able to write off the property earlier than the required three years.
- . A review of University Police reports indicated thefts of 88 pieces of property. Police reports indicated a total value of \$28,111 for 30 items but did not indicate a value for the remaining 58 items. Many of these police reports revealed "no forced entry," indicating lax security by staff or possible inside involvement. Because the police reports did not routinely include movable property tag numbers of the stolen equipment, it is not determinable whether any of the stolen items are listed on the discrepancy reports that are included with the annual certifications. Discussions with the university internal auditor indicated that police reports are not routinely sent to that department.

## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY STATE OF LOUISIANA

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The current method used to track movable property at the university is inadequate. Movable property is tracked by each department or entire building. This method could require searching the entire building to locate one piece of property. The method also inhibits the university from identifying missing property in a timely manner.

Grambling State University should implement policies and procedures that will provide for timely tracking of property movement, provide additional training of departmental staff (custodians) assigned responsibility for property located in their specific building, and provide adequate security of the property. The university should ensure that the annual certification is correct and that the internal auditor receives all police reports that involve missing property. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 3-4).

#### **Failure to Collect Required Student Technology Fees**

Grambling State University did not assess the required student technology fee in accordance with state law. Louisiana Revised Statute 17:3351(1)(A)(1) states, in part, "The student technology fee shall be five dollars per course credit hour." In addition, section A(2) states in part that prior to the assessment, the student government association shall have approved the assessment and may establish the maximum amount of the assessment per student per semester; however, the maximum shall not exceed one hundred dollars. The Student Government Association instituted a maximum of \$60 per student per semester. According to an internal audit report dated December 2, 1998, during the summer 1998 semester, students were charged a maximum of \$30 instead of the required per hour rate up to the approved \$60 maximum.

The decision to cap the maximum at \$30 was made by the Auxiliary Senior Business Manager without approval by the Vice President for Finance. This cost the university approximately \$17,520 in lost revenues.

Management should develop and institute proper controls to require that all changes to fee schedules are submitted and approved by the Vice President for Finance before implementation. Management concurred with the finding and recommendation and implemented a plan of corrective action (see Appendix A, page 5).

#### **Scholarship Violations**

Grambling State University did not have adequate controls in place to ensure that non-federal scholarships and fee exemptions/waivers were awarded to eligible students in authorized amounts and in accordance with applicable criteria. An adequate internal control system would provide formal written policies and procedures to ensure that only eligible students meeting university or privately funded criteria receive financial



LEGISLATIVE AUDITOR

GRAMBLING STATE UNIVERSITY  
STATE OF LOUISIANA

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assistance. The NCAA Bylaws and the 1998-99 *NCAA Guide to Financial Aid* require that a signed Financial Aid Agreement be maintained for each recipient of an athletic award. The University of Louisiana System's policy on tuition waiver scholarships states that waivers may not exceed the value of three full-time equivalent values of tuition, exclusive of student self-assessed fees.

A review of 16 individual scholarship and fee exemption/waiver awards, selected from four different programs (two from each program) and from each of the two fiscal years ended June 30, 1999, disclosed the following control weaknesses and policy violations:

- The university did not have current award letters on file for five of the 14 recipients (36%) tested, totaling \$11,602, that required award letters. The awards were for students in athletic programs.
- All seven of the recipients of the Speech/Theatre scholarship tested received awards in excess of the authorized limit, totaling \$1,750. Two of these recipients were selected as a part of the initial test of 16 awards and the remaining five were selected as an expansion of that test. The Speech/Theatre department awarded scholarships to only 12 recipients.
- The Speech/Theatre department did not have clear, written criteria for awarding scholarships.

In addition, two reviews performed by the university's Internal Audit Department revealed the following:

1. From the Music Service Awards Review encompassing the 1997 spring and fall semesters:
  - One student, not enrolled in school, received a \$650 award.
  - Eight of 21 symphonic band students received a total of \$3,200 in awards even though they were not enrolled in required courses.
  - Eight of 66 students received a total of \$3,950 in awards, yet they did not have the required 2.0 grade point average.
  - Symphonic band students' evaluations were not performed nor were ensemble records for students maintained.
  - Three students were issued awards inconsistent with their rating scores.

## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY

### STATE OF LOUISIANA

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- . Listings of students with possible symphonic band awards are not provided to the Student Financial Aid (SFA) office to assist in reducing the possibility of overawards.
2. From the Student Government Association (SGA) Expenditures Review encompassing activity from July 1, 1997, to June 30, 1998:
- . The SGA violated the University of Louisiana System's policy on tuition waiver scholarships for the 1997-98 school year by providing \$495 above the amount allowed to waiver (\$3,132). Notification of stipend amounts to the SFA office is untimely.
  - . Book voucher awards did not have proper support documentation on applicants and were not coordinated with the SFA office to determine need.

Management's lack of emphasis in enforcing and maintaining an adequate internal control system for scholarships has resulted in violations of applicable rules and regulations and has permitted some ineligible students to receive financial assistance.

Grambling State University should review the controls over all scholarships and fee exemptions/waivers awarded by the university. Formal written policies and procedures should then be established to ensure that only qualified students receive awards and that the university complies with all applicable rules and regulations. These policies and procedures should be strictly adhered to and consistently applied. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 6-9).

#### **Internal Control Over Financial Reporting**

##### **1999 Financial Accounting and Reporting Deficiencies**

Grambling State University has not maintained a knowledgeable and competent accounting staff, which resulted in a catastrophic failure in the financial accounting and reporting process for the year ended June 30, 1999. The university's conversion to a new computerized financial accounting software, for which the accounting and Information Services employees were not fully trained and prepared, resulted in the preparation of financial statements that were not supported by reliable financial records nor prepared timely. In order to properly administer university affairs, management needs timely access to accurate and reliable financial information.

## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY

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The following describes events that took place in relation to the preparation of financial statements for fiscal year ended June 30, 1999.

- Approximately four months of detailed financial data were lost. GSU converted to a new software (commonly called "SCT") on July 1, 1998. This software included the general ledger and other supporting accounting records, including the check registers; however, GSU continued to use the POISE system for cash receipts and student-related accounting records. The former Information Services director, who was responsible for performing the backup procedures for the new SCT software, failed to perform those procedures correctly. Consequently, detailed data from July 1, 1998, through October 25, 1998, were deleted from the computerized accounting system.
- Management's response to the problem was not assertive. Progress reports that were prepared during the software conversion process indicate that the accounting staff were aware in early May 1999 that the detailed data were missing from the SCT accounting system. Management did not properly and timely notify the auditor nor did management formally address the issue to seek a timely resolution. Auditors were not told of the problem until July 8, 1999, after certain information was requested.
- Financial statements were not submitted to the Division of Administration, Office of Statewide Reporting and Accounting Policy by the deadline of September 1, 1999. On August 23, 1999, one week before the financial statements were due, management met with the software vendor and decided that the missing data could not be restored and that the existing financial accounting system could not be used to prepare the financial statements.
- Management did not properly plan and document the alternate compilation process that would be used or provide controls to ensure that all financial information was appropriately included in the compilation process. Management decided to abandon the computerized accounting system, choosing to replace it with a manual spreadsheet compilation process. The financial information used to prepare the manual spreadsheet, which became the working trial balance, was obtained from a variety of sources: check registers, bank statements, journal vouchers, et cetera. However, management could not provide comprehensive written procedures to explain the flow of data from detailed transactions to the manual spreadsheet to financial statement presentation.
- On December 14, 1999, the university issued its financial statements, which contained unsupported estimates and adjustments. Most financial statement totals and amounts differed from those of the trial balance. Management has been unable to provide supporting documentation or explanations of the

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### GRAMBLING STATE UNIVERSITY

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adjustments that were made to the trial balance to arrive at the financial statement amounts.

- Audit tests of the trial balance and its individual components (check registers, bank statements, journal vouchers, et cetera) identified errors that indicate that the trial balance does not accurately represent the financial activities of the university. Audit procedures identified the following:

#### Check Registers

- a) Monthly bank reconciliations were not prepared. Consequently, management cannot provide assurances cash transactions as recorded in the trial balance/check registers accurately present the actual activity of the bank accounts.
- b) The total of the monthly check registers (\$47,975,039), the consolidated check register (\$47,981,338), and the disbursements recorded in the trial balance (\$45,881,032) have not been reconciled.
- c) The disbursement total originally included in the trial balance contained duplicates. In an attempt to eliminate the effect of the duplicates, management reduced total disbursements by \$2,095,032. However, auditors identified duplicates totaling \$3,863,440. The difference of \$1,768,408 remains unexplained.
- d) Six checks totaling \$615,377 were recorded in the check registers, but the checks were actually written for \$6,930. The difference of \$608,447 represents errors in the trial balance.
- e) The check register included 27 checks totaling \$35,315 that were listed as having cleared the bank account. However, these checks were stamped "VOID."
- f) One check issued for \$49,013 was recorded in the check register as \$3,960 (difference is \$45,053).
- g) Management could not locate nine checks. The status of these nine checks and their impact on the trial balance cannot be determined.
- h) Twelve checks identified as voided in the check register were unavailable for review. Consequently, management cannot determine whether these checks were actually voided or whether they cleared the bank account.

## EXHIBIT B

**GRAMBLING STATE UNIVERSITY  
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Journal Vouchers

Many of the journal vouchers for fiscal year ended June 30, 1999, were kept in an unorganized manner. The majority of the journal vouchers are numbered and bound in sequential order. However, some are maintained in a separate binder with no identification method in place to provide a clear trail to the trial balance.

Management cannot provide assurances that the financial statements include all financial transactions and assets, liabilities, and fund balance totals for the fiscal year ended June 30, 1999.

Grambling State University needs to take immediate action to employ competent accounting staff with the skills required to properly administer the fiscal affairs of a university the size of Grambling State University. The university should also provide adequate training on any new accounting system to ensure its staff is capable of compiling accurate data for the issuance of reliable and timely financial statements. The university should continue its efforts to provide accurate data relating to the June 30, 1999, financial statement amounts that are required to be carried forward to the next fiscal year. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 10-12).

**Inadequate Documentation to Support  
the 1998 Financial Statements**

Grambling State University's financial statements for fiscal year ended June 30, 1998, did not have adequate supporting documentation that was readily available to agree the financial statements to the university's accounting records. Good internal control procedures require that financial statements have underlying records, such as books of original entry and other documentation, to support all account balances, totals on the financial statements, notes to the financial statements, and associated schedules.

University personnel was unable to provide documentation in a timely manner to reconcile the accounting records and other supporting documentation to the financial statements for fiscal year ended June 30, 1998. The beginning fund balances (as of July 1, 1997) of three fund types were restated, but there was no detailed supporting documentation available to explain the adjustments. After extensive research, all the adjustments to the beginning fund balances were explained, except for the adjustments made to the beginning fund balance of the Restricted Fund. The unsupported adjustment for the Restricted Fund totals \$130,381.

Failure to develop and maintain adequate supporting documentation during the compilation process required both university personnel and the auditor to expend excessive hours obtaining additional information. In addition, because supporting information was not available, management cannot provide assurances that the Restricted Fund has been fairly presented in the financial statements for fiscal year ended June 30, 1998.

Grambling State University should develop and maintain adequate supporting documentation that agrees all financial statement accounts/balances (including notes to the financial statements, schedules, and beginning fund balance adjustments) to the underlying accounting records. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 13).

#### **Inadequate Information Systems Controls**

Grambling State University has weaknesses within its information systems (IS) operation. Good internal controls require that adequate procedures exist within the university's IS operation to enable the university to assist the users of the IS systems; to control and document any changes to programs; and to protect the facilities, sub-systems, and data.

An examination of the university's IS operations and controls disclosed the following deficiencies:

1. The university lacks the capacity to provide IS support and controls for the Banner accounting system. Banner, a software product from Systems & Computer Technology (SCT), has been the primary accounting software used by the university since July 1, 1998. The general ledger is maintained on Banner, as well as the budgeting, purchasing, accounts payable, and general accounting functions. However, no employee in the Information Resource Center (IRC) has adequate knowledge of Banner to provide support to the users of the system, such as maintaining the data within the database, modifying existing procedures, or producing customized reports. In addition, there are no controls in place within the IRC to assist with the operation of Banner.
2. Detailed accounting data from July 1, 1998, through October 25, 1998, were corrupted during a backup procedure and are now unavailable. Efforts by the university and the software vendor to recover the data have failed.
3. Inadequate procedures exist to monitor whether changes to software programs have been authorized and adequately tested. Neither the IRC

## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY STATE OF LOUISIANA

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May 4, 2000

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Acting Director nor the IRC Systems Analyst documents any review of work performed by the programmers. Although IRC management has the ability to view a periodic list of changes to programs on computer terminals, this review is not assigned to a specific individual and no documentation is kept of the review.

Inadequate user support and controls within the IRC could affect the university's ability to provide timely and accurate financial information. The limited knowledge of IRC about Banner and the subsequent loss of data during backup procedures resulted in the preparation of untimely and erroneous financial statements for fiscal year ended June 30, 1999.

Grambling State University should make a reasonable effort to restore its IS operations to a level where it operates in an effective manner. Personnel should either be hired with, or trained to have, adequate knowledge of the accounting software to allow for adequate user support and controls for the software maintenance. The IRC should develop procedures to track, monitor, and approve programming changes. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 14-15).

#### **Transaction Deficiencies**

Grambling State University has significant weaknesses in its controls related to cash disbursement, cash receipt, payroll, and journal voucher transactions, resulting in increased risk that financial statements will contain significant errors and in increased risk of misappropriation of funds. Sound internal controls require (1) support documentation for all detailed transactions, (2) transaction review and approval by an appropriate supervisor, (3) timely processing in accordance with written policies and procedures, and (4) competent employees.

#### *Cash Disbursements (Checks)*

All checks issued for fiscal year ended June 30, 1999, that were equal to or greater than \$50,000 were examined (98 checks totaling \$13,078,581). The following exceptions were noted:

- Management could not provide any supporting documentation for 20 checks (20.4% error rate) totaling \$3,167,179.
- Six of the remaining 78 checks, totaling \$1,489,992, did not have adequate support, and one of these six did not have an invoice.

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- Numerous problems were noted involving bids related to vendors operating businesses on campus. These problems included incorrect calculations on bid scoring sheets, missing summarization sheets, the inability to locate one of four sealed bids, and a payment of \$522,741 to a vendor before obtaining a signed and dated contract.

#### Cash Receipts (Pay-In Vouchers or PIVs)

All PIVs processed during fiscal year ended June 30, 1999, that were equal to or greater than \$60,000 were examined for specific attributes (61 PIVs totaling \$48,955,805). The following exceptions were noted:

- Fourteen (23%) did not have support documentation.
- Six (10%) had amounts different than the amounts posted in the cash receipts (POISE) system.
- Twenty-six (43%) had exceptions involving the transmittal forms that accompany each PIV.
- Ten (16%) had exceptions involving the receipt reports that accompany each PIV.
- Six (10%) PIVs examined were not deposited timely.

In addition to the previous test, an additional seven PIVs were selected to determine the extent of problems associated with cashiers not reconciling total cash to total cash receipts transactions at the end of business each day. Five of the additional seven PIVs examined (71%) had differences between the cash receipts report, transmittal forms, and the original PIVs.

#### Payroll

A sample of individual net payroll checks issued during the year ended June 30, 1999, and equal to or greater than \$5,000 (51 checks totaling \$542,647) revealed the following exceptions:

- Eight check amounts (16%) could not be supported by an SF1 (Civil Service Notification), extra service contract, or other documentation in the personnel file.
- Ten of the checks examined were for severance pay. In relation to these, nine employees did not have support for the accumulated leave balance



## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY STATE OF LOUISIANA

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in their personnel file; six did not have their leave balances adjusted for paid leave; one did not have support for leave paid; and one received extra service pay totaling \$1,000 for which no contract was on file.

In addition to the previous tests, 65 time sheets were selected for review. These procedures disclosed that 10 could not be agreed to the extra service contracts, five were not signed by the supervisor, and one was not signed by the employee.

#### Journal Vouchers (JVs):

All JVs processed during fiscal year ended June 30, 1999, and greater than or equal to \$1,000,000 were examined for specific attributes. There were 69 JVs selected. Because of the nature of JVs and their impact on all areas of accounting (revenues, expenditures, assets, etc.) and the ability to impact in a positive or negative way, total dollars would not provide useful information. Five of the JVs could not be located for testing and the exceptions noted for the remaining 64 are as follows:

- Seventeen (27%) were corrections of previous JVs.
- The Comptroller approved 50, and of these, 46 (92%) were not dated.
- Five (8%) lacked supporting information to justify their entry.
- Twelve (19%) were not documented as being prepared and approved by separate individuals.
- The stamp used to acknowledge entry into the accounting system was not used in some cases (not stamped on JV), lacked date entered, or lacked initial or signature of the employee or combination of date and initial/signature missing.
- Eighteen (28%) did not have a preparation date.
- Of the 46 JVs that contained a preparation date, 23 (50%) were prepared in excess of 45 days after their effective date and 15 of these 23 were prepared in excess of 100 days from their effective date.

In addition to the examinations noted above, the following observations were noted:

- JVs affecting cash accounts were not made timely. Nine were made in July 1999 that affected cash balances and monthly transactions for consecutive months beginning August 1998.

**GRAMBLING STATE UNIVERSITY**

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- Employees could not produce written procedures for processing JVs and did not know what they were.
- Adjustments to the fiscal year 1999 accounting records were made in excess of two months after the actual year-end. There were 305 JVs dated June 30, 1999. In addition, based on sequentially numbered JVs, it was determined that 98 JVs were prepared on or after September 10, 1999.

A lack of review by the individuals preparing the work and inadequate supervisory review, along with weak filing procedures and a lack of emphasis on timeliness of work resulted in the loss of control over the processing of financial transactions and an increased risk of fraud, abuse, and/or illegal acts. In addition, the university has no way of knowing whether the books reflected accurate or complete information.

Grambling State University should review its existing policies and procedures for handling the transactions of the university. Revisions, if necessary, should be developed and implemented. In addition, management should ensure that all employees are both competent and are adequately trained to perform the duties assigned to them. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 16-18).

**Lack of Bank Reconciliations**

Grambling State University failed to reconcile its bank accounts timely, resulting in an increased risk of misappropriation of funds, inability of management to determine its true financial position, uncertainty of compliance with the appropriation act, and loss of approximately \$26,250 in interest earnings. Sound internal control requires reconciliation of all bank accounts on a monthly basis to ensure management that transactions that affect both the bank accounts and accounting records are in agreement and that no errors or fraud have occurred and not been detected and/or corrected timely. In addition, Louisiana Revised Statute 49:327(C) requires excess funds to be invested to maximize interest earnings.

Between the dates of July 21, 1999, and February 17, 2000, numerous requests were made of GSU management to provide bank reconciliations on all bank accounts. Management did provide bank reconciliations that have been found to be erroneous. On February 17, 2000, the Interim Comptroller indicated that GSU did not have a system that could provide the true book balance for each account. Thus, an accurate reconciliation of bank balance to book balance was not possible for fiscal year ended June 30, 1999.

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Furthermore, at February 17, 2000, the following are examples of items that raised questions as to the accuracy and validity of the reconciliations that were provided by management:

- The Accounts Payable account bank reconciliation included a \$32,862 deposit that was excluded from the financial statements.
- The National Direct Student Loan account bank reconciliation contained a transfer of \$120,393 to the Accounts Payable account that remains unsupported.
- The Nursing Student Loan account bank reconciliation contained an adjustment of \$2,008 that remains unsupported.
- The Electronic Funds Transfer account bank reconciliation contained an adjustment of \$486,364 that remains unsupported. The Interim Comptroller has indicated that the reconciliation was incorrect.

The imprest fund, a noninterest-bearing account, maintained balances ranging from \$9,514 to \$3,196,358 from July 1998 until May 1999. These increasing balances were the result of erroneous deposits to the account that remained undetected because bank reconciliations were not prepared timely. Assuming a conservative interest rate of 3% for three and one half months, the lost interest would be approximately \$26,250 from excess (idle) funds.

A faulty backup procedure performed by the former director of the Information Resources Center (see finding titled "Inadequate Information Systems Controls") resulted in the loss of approximately four months of detailed accounting data. The loss of this data made it impossible to reconcile bank activity to the university's accounting records, leaving the university with no way of knowing whether the books reflected accurate or complete information. Consequently, the university had no way of knowing whether it was operating in a deficit (a violation of state law) or should return surplus funds to the state treasury (a requirement of the General Appropriations Act).

Grambling State University should ensure that every bank account is reconciled monthly upon receipt of the statements from the bank to avoid possible monetary losses. In addition, the university should ensure that excess funds are not maintained in non-interest-bearing accounts. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 19).

## LEGISLATIVE AUDITOR

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#### **Thefts and Misappropriation of Funds**

During the two years ended June 30, 1999, multiple thefts totaling approximately \$38,725 occurred on the Grambling State University campus. Good internal control requires the establishment of adequate policies and procedures to safeguard university assets from loss, theft, or misappropriation. In addition, sound business practices require all transactions to be recorded intact and timely, preferably the same day or the first day following receipt of funds.

The university police investigated numerous reported thefts throughout the campus. In addition, the university's internal audit department conducted several reviews of related matters, as well as instances of possible misappropriation of funds. A review of 59 university police reports disclosed the following:

- Thefts of property totaling \$28,111 were noted in 14 university police reports.
- The remaining 45 university police reports revealed numerous items of stolen property for which a dollar value was not assigned. The property consisted of 13 computers/monitors, 9 printers, 5 televisions, 4 telephones, and 3 VCRs, as well as 24 other items.
- The police reports revealed that six buildings had documented thefts at least three times, with one building having eight occurrences (18 items stolen) and one having seven occurrences (22 items stolen). In addition, many of these thefts did not result from forced entry.
- Police reports relating to thefts were not forwarded to the internal auditor.
- Felony thefts, including the thefts noted below, are not reported to the parish District Attorney.

A review of three internal auditor reports disclosed the following:

1. Nursery School Parent Group Fund Review (This fund was maintained by university employees, was never included in the financial statements, and was closed before June 30, 1998):
  - Receipts totaling \$4,647 were not deposited and continue to be missing.

## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY

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- Donations totaling \$138 collected for Juvenile Arthritis were not remitted to the Arthritis Foundation. Checks totaling \$31 were available; however, cash totaling \$107 could not be located.
  - Approximately \$1,029 was expended by Sharon Satcher, the Nursery School Director, on personal items for herself.
  - Non-sufficient funds (NSF) fees totaling \$480 were charged to this program for checks written by the Director, Sharon Satcher, and the Assistant Director, Felicia Lewis.
  - Funds raised for specific purposes (computers and playground equipment) were expended for other purposes.
  - The Director imposed a \$100 per child "Holding Fee" without the appropriate approvals beginning with the fall semester of 1997.
2. Food Service Cash Review:
- Receipts totaling \$2,275 were not deposited. Restitution has been made for \$421 by Dwayne Weaver, Accounting Specialist I; however, \$1,854 remains missing and unresolved.
  - Daily cash receipts were not deposited timely. Delays ranged from one to five days.
3. Petty Cash Review:
- One moneybag containing \$893 was taken from the University Police Department safe where it had been placed for safekeeping until it could be transported to the bank for deposit. This matter remains unresolved.
  - One moneybag, in which a hole was later discovered, had \$800 removed or lost from it while in the custody of the University Police Department, where it had been entrusted for transportation to the bank for deposit. This matter remains unresolved.
  - A \$100 shortage was discovered in the bookstore cash box. An assistant manager replaced this money to balance the cash box.

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### GRAMBLING STATE UNIVERSITY

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- The director of the Student Union commingled personal funds with university funds to operate the snack bar. These funds were used as startup money following the report of two missing deposits.

The lack of adequate internal controls and security measures provided the opportunity for many of these acts. As a result, approximately \$38,725 in cash and property has been stolen from the university.

Grambling State University should develop and implement new policies and procedures, and emphasize enforcement of existing policies and procedures, to provide for adequate internal control over university assets. All reported felony thefts should be reported to the appropriate legal authorities. All police reports relating to thefts should be forwarded to the internal audit department and the police reports should provide the dollar value and description of the stolen property. In addition, the university should ensure that buildings are secure to address the issue of "unforced" entries to provide additional safeguards for assets. Management concurred with the finding and recommendation and implemented a plan of corrective action (see Appendix A, pages 20-21).

#### **Weaknesses in Inventory Controls**

For the second consecutive audit, Grambling State University has failed to maintain adequate control over its inventories, which are valued at \$718,182 in the June 30, 1999, financial statements. Sound internal controls require management to develop and implement an inventory system that accounts for and manages the receipt, disbursement, valuation, year-end physical inventory count, and overall security of its inventories. In addition, these controls should include the adequate training of employees.

#### **Bookstore**

Management turned bookstore operations over to a contractor in January 1999. The contractor, exclusive of university personnel, conducted a count of existing inventory and provided a listing to GSU in February 1999. This listing identified those items that the contractor would purchase and those items that would remain with the university; the contractor determined that the university's portion of total inventory was \$229,000. However, GSU cannot provide assurances that the bookstore inventory of \$218,393 at June 30, 1999, which is 30% of total inventory, is complete and accurately reported in the financial statements for the following reasons:

1. The university did not independently inventory the bookstore nor observe and test the contractor's inventory count before the contractor began operations.

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2. The inventory balance of \$229,000 in February 1999 changed to \$218,393 at June 30, 1999, with no evidence that the change was due to sales that were properly recorded in GSU's accounting records nor that the change was due to the write-off of obsolete items.
3. The university's portion of the inventory was not adequately segregated from the contractor's inventory. Furthermore, the contractor still had physical access to GSU's inventory.
4. When the inventory count was performed by GSU three weeks after the end of the fiscal year, inventory stock was not organized in a manner that facilitated an accurate and efficient count. Identical book titles were located in more than one area and the goods were not arranged in a manner that provided for easy counting.
5. A comparison of 35 items on hand at the July 19, 1999, count to the listing of GSU bookstore inventory as of February 1999 (prepared by the contractor) disclosed the following:
  - Twenty-one items counted (60%) did not agree with the inventory listing.
  - Four items (11%) were not identified in the inventory as belonging to the university. One of those items was not on the contractor's inventory listing either.

#### Aquaculture (Catfish Farm)

Management has not implemented adequate policies and procedures for organizing, counting, and valuing the inventory, which includes fish, fish food, and bulk supplies. The balance of Aquaculture inventory included in the June 30, 1999, financial statements is \$162,894, or 23%, of total inventory.

- Management does not have written procedures for calculating the number and value of fish (a very complex and difficult process). Auditors were not able to recalculate the value of the fish. The fish inventory, which is valued at approximately \$157,000, accounts for the bulk of the Aquaculture inventory.
- Auditors could not initially test inventory counts of fish food and bulk supplies because the stock was in such disarray. After the stock was reorganized, the counts were significantly different from the previous counts.

## EXHIBIT B

## LEGISLATIVE AUDITOR

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- Several agency valuations and calculations (extensions for fish food and fish counts) were incorrect until brought to the employees' attention by the auditors. Furthermore, four items that auditors specifically brought to the agency's attention did not get included in the final inventory (fish food totaling \$2,735 and three bulk supplies totaling \$2,078).

#### Facilities Maintenance

Facilities Maintenance inventories totaling \$265,212, which is 37% of total inventory, are included in the June 30, 1999, financial statements. These inventories include automotive, janitorial, plumbing, and electrical supplies, building materials, et cetera. The computer program used to account for Facilities Maintenance inventory contains programming errors that allow incorrect computer-generated extensions (number of units x value). These errors resulted in the following:

- Items in inventory with no unit price extending to a zero value
- No items in inventory with no unit price, yet extending to a value
- Items in inventory with a unit price extending to an incorrect value

GSU employees manually recalculated the inventory extensions when the auditors brought the problem to their attention; consequently, there was no impact on the financial statements. However, this indicates a significant problem with the inventory program that could also impact other inventories that may use this computer program.

#### Auxiliary Fund Inventories

Management included an adjustment to inventory totaling \$22,935 in the Auxiliary Fund. Management has provided no supporting documentation or explanation for this adjustment.

Management has not placed sufficient emphasis on safeguarding its inventories. Failure to take a timely inventory of the bookstore assets made it impossible to value that inventory and leaves the university with no way of knowing whether the vendor complied with the contract. In addition, numerous weaknesses in the inventory process throughout the university have placed its inventory at risk of loss, misuse, or misappropriation. Consequently, GSU cannot provide assurances that inventory balances at June 30, 1999, are complete and accurately reported in the financial statements.

*Grambling State University should review the policies and procedures that are currently in place over the receipt, disbursement, valuation, and year-end physical inventory*



## LEGISLATIVE AUDITOR

### GRAMBLING STATE UNIVERSITY STATE OF LOUISIANA

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process for all of its inventories. Management should then require university personnel responsible for maintaining these inventories to become familiar with these controls and procedures. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 22-23).

#### **Failure to Obtain Signed Contracts**

Grambling State University did not have signed contracts for approximately six months with vendors that managed the bookstore and food service operations. Good internal controls and sound business practices require that the university and the vendor providing services agree to terms and conditions and put them in the form of a written contract, which is signed and dated by both parties before the commencement of operations.

The university made a decision to privatize the bookstore and food service operations during fiscal year ended June 30, 1999, and Requests for Proposals (RFPs) were released in November 1998 for both operations. After awarding the bids, the university allowed the vendors to begin operations without signed contracts. Correspondence provided by management indicates that the bookstore operations were taken over by Follett College Stores, Inc., in January 1999 and that the food service operations were taken over by Aramark Educational Services, Inc., in March 1999.

The lack of signed contracts increases the risk that revenue and/or inventory will be lost from the unregulated operations of the bookstore and food services.

Grambling State University should ensure that all contracts are approved and signed for all vendors providing services before allowing them to commence operations. Management concurred with the finding and recommendation and implemented a plan of corrective action (see Appendix A, page 24).

## **Appendix A**

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



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

P.O. DRAWER 607

(318) 274-6117

FAX: (318) 274-6172

May 10, 2000

Dr. Daniel G. Kyle  
Legislative Auditor  
1600 North Third Street  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the audit finding regarding failure to disclose assets to bankruptcy court, we submit the following:

## Response

Management practices of the GSU Foundation had become suspect when the Foundation Management failed to provide annual audited financial statements as stipulated by state statute.

The GSU Foundation was required to submit audited financial statements to the administration of Grambling State University (GSU) annually. GSU had requested from the Foundation copies of audited financial statements for fiscal year 1997 and a current financial statement for fiscal year 1998. The Office of the Legislative Auditor also made an additional request. Upon failure to receive the information, GSU administrators determined that it was not in the best interest of the University for any more funds to go to the Foundation.

The University has disclosed to the attorney for the bankruptcy trustee that three checks totaling \$111,790 made payable to the GSU Foundation were returned to the makers and subsequently made payable to other University support organizations. The University has expressed a willingness to seek the return of the funds to the Foundation should the Trustee/Court deem it appropriate.

The decision to request a reissue of the three checks totaling \$111,790 from the issuers was in progress prior to the GSU Foundation filing for bankruptcy protection. Grambling State University did not attempt or intend to withhold assets from the bankruptcy proceeding. No

Dr. Daniel Kyle  
May 10, 2000  
Page 2

act of the University was conscious or intentional as it relates to concealing funds from the Foundation. The University never prevented disclosure, discovery or recognition of these funds.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve A. Favors", with a large, stylized flourish at the end.

Steve A. Favors  
President

SAF:jj



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

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(318) 274-6117

FAX: (318) 274-6172

**April 18, 2000**

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding weaknesses in controls over movable property, we submit the following:

## **Response**

We concur. In order to enhance our existing control policies and procedures over movable property, we will provide additional information and intensive training to departmental staff to ensure an understanding of the correct procedures to follow when accounting for movable property. Staff charged with preparing annual certifications that are submitted to the Louisiana Property Assistance Agency (LPAA) will be instructed as to proper completion of the forms. In addition, knowledgeable personnel will review the forms before submitting to LPAA.

Our procedures to account for movable property will be amended to track movable property by room number and to ensure compliance with the policy. To expedite this process, we will assign sufficient staff personnel to assist in the effort to perform a physical inventory of movable property by room in each area. This will better enable us to monitor the movement of movable property and to timely adjust our records accordingly.

Additionally, all university police reports related to movable property will be provided to the Internal Audit department for further investigation and follow-up of stolen items for accounting purposes.

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**Page Two**

Finally, we will review our existing policies and procedures in the area of security over movable property to ensure that adequate safeguarding procedures are in place and are being carefully adhered to.

Respectfully,

A handwritten signature in black ink, appearing to read "Steve A. Favors", followed by a large, stylized flourish or underline.

**Steve A. Favors**  
**President**



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

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(318) 274-6117

FAX: (318) 274-6172

**April 18, 2000**

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding failure to collect required student technology fees, we submit the following:

## **Response**

We concur with the finding. Our review indicates that the decision to cap the maximum fee at \$30 for summer, 1998 was made by the Auxiliary Senior Business Manager without approval by the Vice President for Finance. This resulted in approximately \$17,520 in lost revenues.

Management has taken corrective action. Since fall, 1998, the fee has been assessed according to the Louisiana Revised Statute. Furthermore, all fee changes are submitted and approved by the Vice President for Finance before implementation.

Respectfully,

A handwritten signature in black ink, appearing to read "Steve A. Favors", with a large, sweeping flourish extending to the right.

Steve A. Favors  
**President**



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

P.O. DRAWER 607

**April 26, 2000**

(318) 274-6117

FAX: (318) 274-6172

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding scholarship violations (years ending '97, '98 and '99), we submit the following:

**FYE 6/30/98:**

- GSU issued awards to three students without benefit of an award letter signed by the student. The two programs were athletic programs, specifically bowling and volleyball, totaling \$6,758.

**RESPONSE:**

Management concurs with the finding. The Coordinator for Scholarships will be responsible for making sure that all students who receive an athletic award have a copy of the financial aid agreement on file in the Student Financial Aid Office. Copies of the agreements will be logged in the computer system, thereby making the tracking of these documents more manageable. The three students were eligible to receive the awards. The NCAA guidelines state that the institution shall give the recipient a written statement of amount, duration, conditions and terms of award. However, the guidelines do not indicate the institution must keep a copy of the agreements. It is the policy of the university to keep the copies and we have set procedures in place whereby the Coordinator for Scholarships can track the documents.

**FYE 6/30/99:**

- GSU issued awards to two students without benefit of an award letter signed by the student. The program was an athletic program, specifically women's tennis, totaling \$4,844.



**RESPONSE:**

Management concurs with the finding. See response listed above. These two students were eligible to receive the awards.

- GSU issued awards to two students in excess of the authorized limit. The program was a departmental program, specifically Speech/Theatre. The students were awarded \$250 per full semester (\$500 per year) but were paid the \$500 for the fall. The total excess award was \$500.

**RESPONSE:**

Management concurs with the finding. The Coordinator for Scholarship will be responsible for making sure students are awarded the correct amounts for each semester. The Coordinator will reconcile the funds before transmitting awards to the Accounting Office and on a monthly basis. The Coordinator will also be responsible for checking the criteria (GPA, hours enrolled, etc.) for awarding the scholarships before scholarship amounts are placed in the system. The students did not receive an over-award. Their award should have been divided into two equal payments instead of the one payment for the year.

**Music Service Awards-Spring '97 and Fall '97:**

- One student received a \$650 award and was not enrolled.

**RESPONSE:**

Management concurs with the finding. However, the Office of Financial Aid and Scholarships receives some scholarship request forms before the student actually enrolls. The funds for the above-mentioned student were not disbursed to the student's account. Procedures are now in place whereby the Coordinator for Scholarships will be responsible for checking enrollment and over-awards for students listed on the scholarship request forms before awards are transmitted to the Accounting Office. All awards are cancelled from the computer system after the 14<sup>th</sup> class day if the student is not enrolled.

- Two students were on the orchestra award list and did not have records on file. However, they did not receive an award.
- 8 of 21 symphonic band students were not enrolled in the related required course and no waivers were on file. The dollar value of the 8 scholarships totaled \$3,200.

**Response to Legislative Auditor's Findings**  
**Page Three**

- 8 of a sample of 66 students did not have the required 2.0 cumulative GPA to receive music service awards in the Spring, 1997 or Fall, 1997. The dollar value of the 8 scholarships totaled \$3,950.

**RESPONSE:**

Management concurs with the findings. Procedures are now in place whereby the Coordinator for Scholarships will be responsible for checking the scholarship awards for enrollment before the awards are transmitted to the Accounting Office.

At the time the scholarship awards are placed in the system, the Coordinator for Scholarships will be responsible for making sure the student is not over-awarded. Also, after the 14<sup>th</sup> class day an over-award report will be produced and reviewed by the Coordinator for Scholarships. In the Spring, 1997 and Fall, 1997 semesters, the University defined that cumulative GPA as the adjusted GPA. We are in the process of determining the GPA for that period of because we believe the adjusted GPA was used. In that, case there will not be a questionable cost.

**CONCLUSION:**

We now have documented policies and procedures in place and a Scholarship Committee. We also have staffed the office with a Coordinator for Scholarships to oversee the procedures and Scholarship Committee.

**SGA EXPENDITURES Review-July 1997 to January 1998 (extended to June 1998 based on discoveries)**

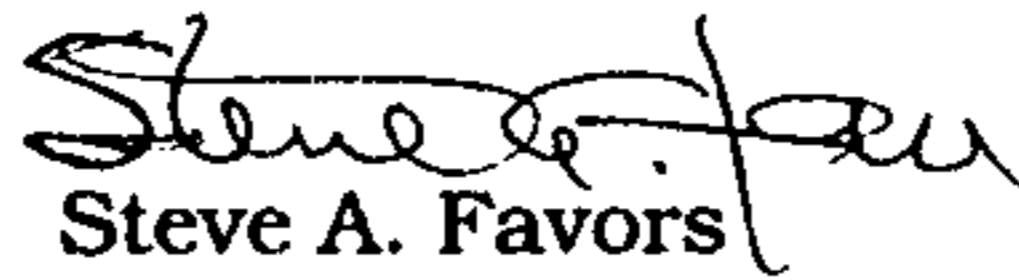
**RESPONSE:**

The Student Government Association (SGA) was notified that it was in violation of the University of Louisiana System's policy on tuition waiver scholarships during the Spring of 1997 by the Office of the Vice President for Finance. As a result of the October 14, 1998 meeting with the Grambling State University Internal Auditor's staff, it was stated that Student Government officers should receive tuition exemption only as a scholarship award. The SGA is aware of this policy to date and will adhere to it immediately. The SGA has also acquired a copy of the rules, bylaws, and policies and procedures manual.

**Response to Legislative Auditor's Findings**  
**Page Four**

Grambling State University has a scholarship committee that oversees scholarships and ensures that scholarship recipients meet the set requirements and criteria for their awards.

Sincerely,



Steve A. Favors  
**President**





# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

P.O. DRAWER 607

(318) 274-6117

FAX: (318) 274-6172

May 9, 2000

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding **1999 Financial Accounting and Reporting Deficiencies**, we submit the following:

## Response

We concur with the finding. Grambling State University (GSU) management recognizes the importance of fully trained and prepared Accounting and Information Resource Center (IRC) employees. Accordingly, GSU has employed the services of Systems and Computer Technology Corporation (SCT) to assist in the training of our Accounting and IRC staff. In addition, the University hired additional qualified personnel in both departments and, on February 1, 2000, employed an Interim Comptroller. These actions have provided GSU with competence on the Banner 2000 application, and have allowed the University to make substantial progress and improvements in recording its fiscal year 1999/2000 financial transactions.

We generally concur with the findings and offer the following responses.

### **Approximately four months of detailed financial data was lost.**

Effective April 1999, the University employed an Acting Director of IRC and on September 1, 1999, an Acting Vice President of Finance was employed. After reviewing the situation, and after consultation with SCT staff on whether the four months of data could be recaptured, it was determined that the following events and outcomes had to be considered:

1. Duplications in account balance totals could result.
2. Cash receipts had been posted in reverse.
3. All cash receipt corrections had not been performed.

It was the consensus of SCT, GSU management and special financial advisors that an alternate compilation process be utilized, rather than attempt to utilize the Banner general ledger.

**Management's response to the problem was not assertive.**

On July 9, 1999, the Legislative Auditor's staff informed the President of the University of the missing data. It was the first information the President had about the missing transaction detail.

**Financial statements were not submitted to the Division of Administration, Office of Statewide Reporting and Accounting Policy by the deadline of September 1, 1999.**

The financial statements were submitted late to the Division of Administration due to the four months of lost transaction data, departure of key financial administrators, and the inability of the Information Resource Center to retrieve and generate critical reports. As a result, GSU's accounting staff was unable to identify and correct posting errors.

**Management did not properly plan and document the alternate compilation process that would be used, or provide controls to ensure that all financial information was appropriately included in the compilation process.**

After a documentation review and assessment of existing Banner general ledger reports, it was the consensus of SCT, GSU management and a special group of financial advisors, that an alternate compilation process be utilized. The University entered into a contract with Postlethwaite and Netterville (P&N), APAC, to assist in this compilation of data and provide the University information necessary to prepare its financial statement.

Although submitted late, the compilation process was summarized, documented, and provided to your staff.

**On December 14, 1999, the University issued its financial statements, which contained unsupported estimates and adjustments.**

The Financial Statements submitted by GSU on December 14, 1999 were not compiled based on the final trial balances. Due to four months of missing data, the University was in the position of having to submit the best available estimates for some parts of the financial statements. In an affidavit from GSU's president that accompanied the submission, it was stated that the financial statement included "certain estimates and adjustments that we believe, when included with recorded transactions, reflect the results of operations for the year then ended ..." The affidavit further stated, "These adjustments continue to be reviewed

by the University's staff, and any corrections required by virtue of their materiality will be posted to the appropriate account(s) and the Statement revised accordingly." The University realized and acknowledged in its submission that work would continue as account reconciliations and final adjustments were being identified and prepared.

The University has launched a national search for a Comptroller and Vice President for Finance. Applications are now being received and evaluated by a broad-based search committee. It is the goal of this committee and the administration to fill both positions by June 20, 2000.

In addition, the University has employed additional trained personnel who have extensive experience with the Banner application software. These individuals, with the assistance of the Interim Comptroller, the accounting staff and SCT, have made substantial improvements and progress in the conversion of the computer financial system from POISE to BANNER. Further, to ensure that the University does not lose any data in the future, all transaction data is archived nightly, and the University has identified an off-campus backup site that can be accessed if necessary to continue the computing operation.

The University's Accounting, Payroll, Human Resources, Student Records, and Office of Financial Aid staffs are currently receiving extensive training on the BANNER system.

**Audit tests of the trial balance and its individual components (check registers, bank statements, journal vouchers, etc.) identified errors that indicate that the trial balance does not accurately represent the financial activities of the university.**

The University has re-engaged P&N to review and reconcile the trial balance as of June 30, 1999. In their ongoing efforts to reconcile bank statements and produce reliable beginning balances for the 2000 fiscal year, P&N is examining and correcting each of the specific items listed in this finding. In addition, the university has outlined a specific work plan to conduct a trial closing by the end of May, 2000 and to submit fiscal year 2000 statements by July 31<sup>st</sup> – a month ahead of the deadline for submissions.

Sincerely,



Steve A. Favors  
President



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

P.O. DRAWER 607

(318) 274-6117

FAX: (318) 274-6172

April 26, 2000

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding inadequate documentation to support the 1998 Financial Statement, we submit the following:

### Response

We concur with the finding. The Accounting Office staff had knowledge of the unreconciled beginning account balance adjustment although remaining GSU staff did not have input into making the adjustments to reconciled account balances. Efforts to work with the previous Comptroller yielded some results but did not allow a successful resolution of all issues. The previous Comptroller returned to campus to work with the Grambling staff and the Legislative Auditor's Office staff in an attempt to resolve remaining issues.

At the current time, Grambling State University has put in place the following: 1) an internal control system that requires that all proposed entries be reviewed and approved by the supervisor/Comptroller; 2) that all supporting documentation for entries be attached at the time of review; and, 3) that all entries be made in a timely manner to ensure immediate entry into the records.

Additionally, a year-end closeout process has been established for closing fiscal year 2000 that will assure that all financial statement schedules and notes agree to the financial accounting records at Grambling State University.

Sincerely,

Steve A. Favors  
President



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

P.O. DRAWER 607

**April 18, 2000**

(318) 274-6117

FAX: (318) 274-6172

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding inadequate information systems controls, we submit the following:

## **Response**

Grambling State University (GSU) concurs with the finding for fiscal year 1999. The previous Director of Information Systems was not knowledgeable of the product and installed the financial system software on his own. His lack of knowledge of the software caused inappropriate backup and archiving procedures to be used. This situation prevented GSU from being able to produce detailed financial data and caused the loss of four months of fiscal year 1999 financial data.

Since August 31, 1999, GSU has hired a database administrator, two programmers, and a Coordinator of Database Services. The Oracle database and the finance module, Banner 2000, have been upgraded and are now Y2K compliant.

Systems and Computer Technology Corporation (SCT) has been awarded a management contract to conduct training with the following GSU departments:

Accounting  
Grants Administration  
Purchasing  
Student Financial Aid

Accounts Payable  
Human Resources  
Property Control/Receiving

Budgeting  
Payroll  
Registrar

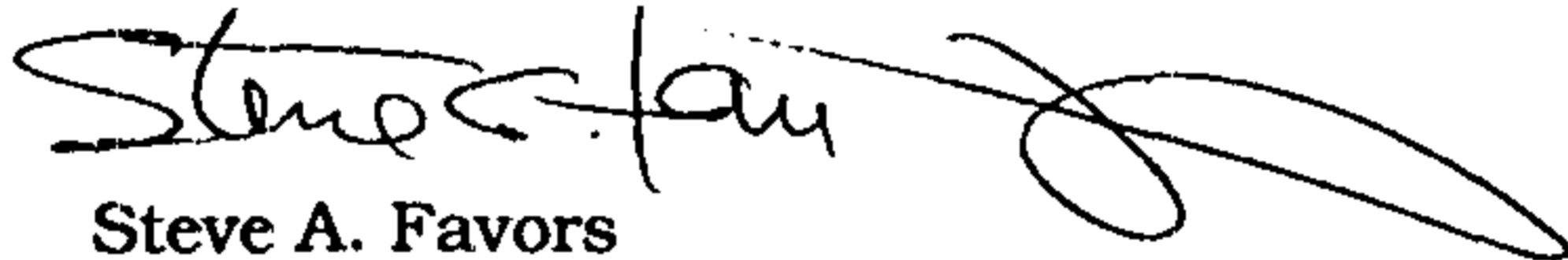


**Response to Legislative Auditor's Findings**  
**Page Two**

Financial statements for fiscal year 1999-2000 are being generated in the Banner system. GSU is currently in training with the human resource, student financial aid, and the student enrollment modules. Implementation will be done after extensive training and testing are conducted. Upon moving into the production environment, parallel or shadowing systems will be employed.

Controls are in place to document programming changes to software systems and will be strictly monitored. Programming changes are authorized using the IRC Problem and Control Form, IRC Software Control Form, and the IRC Software Modification Request Form, SMRF, (see attachments).

Respectfully,

A handwritten signature in black ink, appearing to read "Steve Favors", with a large, sweeping flourish extending to the right.

**Steve A. Favors**  
**President**



# Grambling State University

OFFICE OF THE PRESIDENT

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**April 26, 2000**

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding transaction deficiencies, we submit the following:

## **Response**

### **Cash Disbursements (checks):**

When it was determined that the Banner 2000 system could not be used to produce financial statements for 1998-1999, checks were summarized in the Access database which produced the spreadsheet trial balance. An intense review of Academic Enhancement and related restricted fund disbursements occurred. Files were pulled from the Accounts Payable area and, unfortunately, may not have been properly returned to its original filing location. Individuals who did not normally work in the department assisted. This was and will be a one-time oddity. Grambling State University will ensure that documents are properly filed.

Presently, all supporting documentation required to execute a check is attached to the batch processing documents. This batch processing is forwarded to the Comptroller's Office for review and check signing. Upon signing the checks, the Comptroller conducts a final review prior to release of the checks. All checks over \$15,000.00 are required to be signed by the Vice President for Finance. At this point, the Vice President makes a review of the supporting documents prior to signing the checks.

The checks and supporting documents are returned to the Comptroller's Office where the clerical staff initiates filing the documents. Grambling State University will adhere to this procedure and ensure that only appropriate staff personnel have access to the files.

**Cash Receipts (Pay-In Vouchers or PIVs):**

After the unsuccessful implementation of crosswalks from the POISE system to the Banner 2000 system, the Accounting Office staff began a process of entering individual journal entries into the Banner system. When clarification or resolution of PIVs to be entered arose, staff members pulled the documentation to review the entry. Temporary staff from a local agency and GSU staff assisted in data entry. Often the individuals did not know the Accounting Office procedures or filing system. A lack of oversight of these individuals contributed to the problems associated with proper re-filing of documents.

Also, receipts from the Favrot Student Union operations and the Athletic department particularly go directly to the bank for deposit. If a deposit does not match the depository amount, the procedure is for the bank officials to notify the department. In all cases, a daily report from the department is attached to the deposit. The cashiering staff uses this information to post the cash receipt.

The Accounting Office staff has initiated a review of all fiscal year 2000 transactions to ensure that proper documentation is attached to all PIVs. Additionally, the Manager of Receivables conducts a daily close out of each cashier.

**Journal Vouchers (JVs):**

This review notes the breakdown that occurred when the financial accounting system conversion failed. A decision was made by the previous Comptroller to post all entries and conduct analysis later. Many entries were made and later it was determined that an inappropriate rule class, which governed posting, was used because the entries entered the system in reverse order of posting intent. Corrections to these entries were made to clear up posting in the system.

Because of poor installation of the software by the previous Director of Information Resources, the accounting staff was not able to print

**Response to Legislative Auditor's Findings**  
**Page Three**

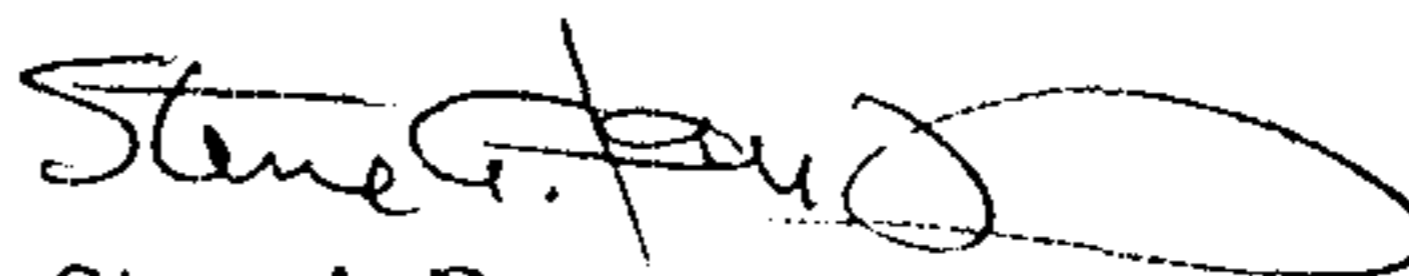
prescribed system reports. Therefore, accountants would print the information from the screen on their personal computers and use that report as documentation for the correcting entry adjustment.

The interim Comptroller is enforcing internal controls involving the approval and posting of journal vouchers. First, entries are prepared for each current accounting period within the affected accounting period. Second, entries are submitted to the Comptroller for review. Third, the Comptroller reviews and signs off on approved entries. Next, an assigned person performs data entry.

As the training for the financial conversion was in progress during fiscal year 2000, entries were made into the test environment and reviewed for accuracy. Upon approval, these entries were moved from the test environment into the production environment.

The Accounting Office staff participated in training sessions for Banner 2000. Grambling State University is still involved in a management contract with SCT for continued conduct of training.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve A. Favors", with a large, stylized flourish at the end.

Steve A. Favors  
**President**



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

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(318) 274-6117

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**April 26, 2000**

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding lack of bank reconciliations, we submit the following:

**Response:**

We concur. As is noted in the finding, GSU suffered a failure in its financial software system conversion from POISE to the BANNER 2000 software that resulted in a loss of data and the inability to generate reports from the Banner system. Without the transaction ledger the accountants were not able to perform reconciliations between the bank balance and book balance. This situation was compounded with the resignation of the Accounting Specialist II, whose main duty was to reconcile the bank accounts. This position remained vacant until January 2000. Because of a loss of data in the conversion, GSU was unable to produce financial reports and it was not possible for the University to reconcile bank statements.

Management has taken corrective measures to ensure that bank reconciliations will be brought current and performed monthly in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve A. Favors".

Steve A. Favors  
**President**



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

P.O. DRAWER 607

**April 18, 2000**

(318) 274-6117

FAX: (318) 274-6172

**Dr. Daniel Kyle**  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding thefts and misappropriation of funds, we submit the following:

## **Response**

We concur with the findings. The information contained in the findings was identified through the efforts of the GSU Internal Audit department.

### **Thefts:**

Revised policies and procedures have been adopted and continue to be reviewed for compliance. Perpetrators identified in theft investigations have been dismissed from the University.

Currently, police reports are forwarded to the Internal Audit department. Campus buildings are being reviewed for inclusion in a card access security system. The use of a campus surveillance unit is also being considered. Until either system is installed, Grambling will closely monitor who is given keys to buildings and institute more frequent evening and weekend patrols of campus buildings.

### **Nursery School Parent Group:**

This fund was maintained by university employees, was never included in the financial statements, and was closed prior to June 30, 1998. The individual responsible for establishing the fund is no longer a GSU employee.

Procedures pertaining to the collection of fees for the Nursery School are outlined in the handbook that all parents receive.

**Food Service Cash Review:**

As a result of the Internal Audit department's review, a portion of the funds, \$421.00, has been recovered. Due to privatizing the food service operation, GSU no longer operates the cash operation in food service.

**Petty Cash Review**

The appropriate University officials have met with the involved employees and instructed them that established procedures regarding deposits must be adhered to at all time. Proper levels for all petty cash funds have been established and are maintained. All petty cash issuance is documented and signed by both parties.

The bookstore operation has been privatized and GSU does not handle related cash transactions.

Respectfully,



Steve A. Favors

**President**





# Grambling State University

OFFICE OF THE PRESIDENT

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(318) 274-6117

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**April 18, 2000**

Dr. Daniel Kyle  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the audit finding regarding weaknesses in inventory controls:

## **Response**

### Bookstore

We concur. An independent physical count of inventory was not performed by management prior to transferring bookstore operations to the contractor. We are currently monitoring the sales of our contractor on an ongoing basis to ensure proper reporting of the university share of revenue.

### Aquaculture

We concur. Management will establish written procedures for determining the value of fish inventory. In addition, we will make every effort to keep the inventory of fish food and bulk supplies orderly, particularly immediately prior to inventory of such items. Furthermore, the valuations and calculations of fish and fish food (extensions for counts) will be carefully reviewed for accuracy.

### Facilities Maintenance

The computer program used to calculate the extensions for facilities maintenance inventory is under review and will be corrected by the Information Resource Center staff. Grambling State University has purchased the current version of ACT 1000 to handle the inventory and it will be in place during fiscal year 2000.

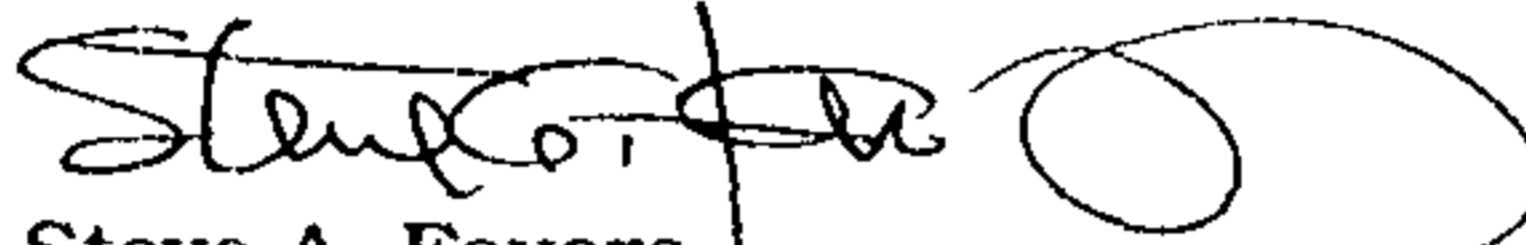


**Response to Legislative Auditor's Findings**  
**Page Two**

Auxiliary Fund Inventories

We concur. The former Comptroller made adjustment to the inventory balance in the Auxiliary Fund and no support for such adjustment can be located.

Respectfully,

A handwritten signature in black ink, appearing to read "Steve A. Favors", followed by a large, stylized circular flourish.

Steve A. Favors  
**President**



# Grambling State University

OFFICE OF THE PRESIDENT

Grambling, Louisiana 71245

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**April 18, 2000**

**Dr. Daniel Kyle**  
Legislative Auditor  
1600 Riverside North  
P. O. Box 94397  
Baton Rouge, LA 70804

Dear Dr. Kyle:


In response to the audit finding regarding failure to obtain signed contracts, we submit the following:

## **Response**

Grambling State University (GSU) concurs with the finding. However, a Contract of Intent did offer GSU some protection. Subsequently, contracts were signed and final details of inventory sale and changeover were negotiated during fiscal year 2000 with payment being accomplished.

Presently, all terms and conditions in a Request for Proposal or contract are negotiated prior to initiation of contract services. The GSU contract officer performs monitoring duties.

Respectfully,

  
Steve A. Favors  
**President**