

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Southern University System
State of Louisiana
Baton Rouge, Louisiana

December 22, 1999



Financial and Compliance Audit Division

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

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LEGISLATIVE AUDITOR

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**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999
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, Shreveport, and New Orleans offices of the Legislative Auditor.

December 22, 1999

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

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

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
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LEGISLATIVE AUDITOR

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December 3, 1999

Independent Auditor's Report
on the Financial Statements

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Southern University System. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying general purpose financial statements present fairly, in all material respects, the financial position of the Southern University System at June 30, 1999; the changes in fund balances; and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 1999, on our consideration of the Southern University System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

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

LEGISLATIVE AUDITOR

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Audit Report, June 30, 1999

The Year 2000 supplementary information on page 32 is not a required part of the basic financial statement but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Southern University System is or will become Year 2000 compliant, that the university's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the university does business are or will become Year 2000 compliant.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

FVP:JR:RCL:dl

(SOUTHERN)

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
ALL FUNDS**

Combined Balance Sheet, June 30, 1999

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
ASSETS				
Cash and cash equivalents (note 2)	\$297,701	\$179,412	\$255,082	\$119,233
Investments (note 4)	10,845,643	4,035,668	4,805,115	382,331
Accrued interest			73,743	4,596
Accounts receivable (note 5)	1,825,107	691,830	10,631,986	864
Notes receivable (note 6)				343,725
Due from other funds		66,125	50,022	
Deferred charges and prepaid expenses	188,521	66,087	25,739	
Inventories (note 1-G)	119,374	53,751		
Institutional plant (note 19)				
Other assets				
TOTAL ASSETS	\$13,276,346	\$5,092,873	\$15,841,687	\$850,749
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$6,600,507	\$116,602	\$1,047,571	\$46,725
Accrued liabilities	1,726,600	159,769	364,474	
Due to state treasury (note 13)	250			
Due to other funds				116,147
Deposits held for others				
Deferred revenues (note 1-H)	2,477,389	1,040,510		
Compensated absences payable (note 11)	8,556,366	518,300	1,423,368	
Bonds payable (note 12)				
Installment purchase payable (note 12)				
Other liabilities		800		73,198
Total Liabilities	19,361,112	1,835,981	2,835,413	236,070
Fund Equity:				
Net investment in plant				
Fund balances:				
Reserved (note 14)	119,374	119,310	1,039,014	
Current operations:				
Unrestricted (deficit)	(8,556,366)			
Restricted	2,352,226	3,137,582	11,967,260	
Noncurrent operations - restricted				614,679
Total Fund Equity	(6,084,766)	3,256,892	13,006,274	614,679
TOTAL LIABILITIES AND FUND EQUITY	\$13,276,346	\$5,092,873	\$15,841,687	\$850,749

The accompanying notes are an integral part of this statement.

Statement A

ENDOWMENT FUNDS	PLANT FUNDS			AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
\$2,450,868	\$199,262	\$10,675	\$715,247	\$50,255	\$4,277,735
1,371,195	4,514,345	240,123	1,366,385	1,130,398	28,691,203
			28,469		106,808
	378,657		7,816		13,536,260
					343,725
					116,147
					280,347
					173,125
				\$330,085,450	330,085,450
			15,482		21,782
				6,300	
<u>\$3,822,063</u>	<u>\$5,092,264</u>	<u>\$250,798</u>	<u>\$2,133,399</u>	<u>\$1,186,953</u>	<u>\$377,632,582</u>
	\$44,575		\$155,227	\$68,784	\$8,079,991
	8,134				2,258,977
					250
					116,147
	7,000			924,173	931,173
					3,517,899
					10,498,034
				\$1,377,177	1,377,177
				206,582	206,582
					267,994
				193,996	
<u>NONE</u>	<u>59,709</u>	<u>NONE</u>	<u>155,227</u>	<u>1,186,953</u>	<u>27,254,224</u>
					328,501,691
					328,501,691
	35,807		318,934		1,632,439
					(8,556,366)
					17,457,068
<u>\$3,822,063</u>	<u>4,996,748</u>	<u>\$250,798</u>	<u>1,659,238</u>		<u>11,343,526</u>
<u>3,822,063</u>	<u>5,032,555</u>	<u>250,798</u>	<u>1,978,172</u>	<u>328,501,691</u>	<u>350,378,358</u>
				NONE	
<u>\$3,822,063</u>	<u>\$5,092,264</u>	<u>\$250,798</u>	<u>\$2,133,399</u>	<u>\$1,186,953</u>	<u>\$377,632,582</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$101,605,893			
Tuition and fees - restricted			\$3,531,748	\$37,364
State grants and contracts - restricted			1,628,952	
Federal grants and contracts - restricted			45,855,341	2,604,493
Local grants and contracts - restricted			22,671	
Private gifts, grants, and contracts - restricted			1,438,636	
Investment income - restricted			254,836	4,055
Interest on loans receivable				45,554
State funded endowments				
Endowment income				
Auxiliary enterprise revenues		\$11,946,293		
Additions to plant facilities				
Retirement of indebtedness				
Other sources			1,502,557	54,793
Total revenues and other additions	<u>101,605,893</u>	<u>11,946,293</u>	<u>54,234,741</u>	<u>2,746,259</u>
Expenditures and other deductions:				
Educational and general	99,672,317		50,470,212	
Auxiliary enterprises		11,000,924		
Indirect costs recovered			1,408,291	
Loan cancellations and write-offs				1,830
Administrative and collection costs				198
Expended for plant facilities				
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities				
Other				2,747,077
Total expenditures and other deductions	<u>99,672,317</u>	<u>11,000,924</u>	<u>51,878,503</u>	<u>2,749,105</u>
Transfers among funds - additions (deductions):				
Mandatory - principal and interest	(84,224)	(19,353)	(55,380)	
Nonmandatory - other	(75,236)	(63,200)	(443,127)	
Total transfers among funds	<u>(159,460)</u>	<u>(82,553)</u>	<u>(498,507)</u>	<u>NONE</u>
Inventory increase (decrease)	<u>17,157</u>	<u>(61,695)</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	1,791,273	801,121	1,857,731	(2,846)
Fund balances (deficit) at beginning of year	<u>(7,876,039)</u>	<u>2,455,771</u>	<u>11,148,543</u>	<u>617,525</u>
Fund balances (deficit) at end of year	<u>(\$6,084,766)</u>	<u>\$3,256,892</u>	<u>\$13,006,274</u>	<u>\$614,679</u>

The accompanying notes are an integral part of this statement.

Statement B

ENDOWMENT FUNDS	PLANT FUNDS			INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
					\$101,605,893
	\$1,324,963		\$495,027		5,389,102
			48,353		1,628,952
					48,508,187
					22,671
					1,438,636
	55,271	\$5,228	84,276		403,666
					45,554
\$40,433					40,433
333,663					333,663
					11,946,293
				\$20,079,123	20,079,123
				448,515	448,515
	654,402		20,449		2,232,201
<u>374,096</u>	<u>2,034,636</u>	<u>5,228</u>	<u>648,105</u>	<u>20,527,638</u>	<u>194,122,889</u>
					150,142,529
					11,000,924
					1,408,291
					1,830
					198
	988,481	938,741			1,927,222
			448,515		448,515
			108,932		108,932
				2,551,040	2,551,040
7,081			527,968		3,282,126
<u>7,081</u>	<u>988,481</u>	<u>938,741</u>	<u>1,085,415</u>	<u>2,551,040</u>	<u>170,871,607</u>
			158,957		
	581,563				
NONE	581,563	NONE	158,957	NONE	NONE
NONE	NONE	NONE	NONE	NONE	(44,538)
367,015	1,627,718	(933,513)	(278,353)	17,976,598	23,206,744
3,455,048	3,404,837	1,184,311	2,256,525	310,525,093	327,171,614
<u>\$3,822,063</u>	<u>\$5,032,555</u>	<u>\$250,798</u>	<u>\$1,978,172</u>	<u>\$328,501,691</u>	<u>\$350,378,358</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
CURRENT FUNDS**

**Combined 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	\$28,665,990	\$1,158,925	\$2,434,810
Federal appropriations	2,284,017		132,344
State appropriations	66,624,999		
Federal grants and contracts			44,107,772
State grants and contracts			1,605,713
Local grants and contracts			23,427
Private gifts, grants, and contracts			1,392,843
Sales and services of education departments	7,111		
Investment income	530,883	92,180	198,905
Auxiliary enterprise revenue		10,695,188	
Other sources	3,492,893		953,378
Total revenues	<u>101,605,893</u>	<u>11,946,293</u>	<u>50,849,192</u>
Expenditures and transfers:			
Educational and general:			
Instruction	45,297,109		1,185,933
Research	2,947,441		5,659,280
Public service	2,423,812		3,691,609
Academic support	10,333,894		9,707,060
Student services	5,440,093		5,966,405
Institutional support	18,314,993		1,849,980
Operations and maintenance of plant	9,806,120		285,093
Scholarships and fellowships	4,479,116		21,667,115
Compensated absences	629,739	1,874	146,299
Other			311,438
Total educational and general expenditures	<u>99,672,317</u>	<u>1,874</u>	<u>50,470,212</u>
Mandatory transfer - principal and interest	84,224	19,353	55,380
Nonmandatory transfers for - other	75,236	63,200	443,127
Auxiliary enterprises expenditures		10,999,050	
Total expenditures and transfers	<u>99,831,777</u>	<u>11,083,477</u>	<u>50,968,719</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenues			1,977,258
Inventory increase (decrease)	17,157	(61,695)	
Net increase in fund balances	<u>\$1,791,273</u>	<u>\$801,121</u>	<u>\$1,857,731</u>

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA**

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

INTRODUCTION

The Southern University System 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 Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 17 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the Federal Government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport-Bossier City and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport-Bossier City campuses were established in September 1959 and September 1967, respectively.

The university offers numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the university's Law Center. During the summer, fall, and spring semesters of the 1998-99 fiscal year, the university conferred 2,102 degrees, and student enrollment was 35,760. Southern University has 861 faculty members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) considers both the American Institute of Certified Public Accountants (AICPA) College Guide model and the governmental model to be acceptable for accounting and financial reporting by governmental colleges and universities. The accompanying financial statements have been prepared in accordance with the AICPA College Guide model principles.

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

B. REPORTING ENTITY

The GASB, Code Section 2100, has defined the governmental reporting entity to be the State of Louisiana. The university is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Southern University System, a component unit of the State of Louisiana.

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

C. FUND ACCOUNTING

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

Current Funds

Current funds are operating funds that will be expended in the near term. Such funds have two basic subgroups, unrestricted and restricted.

Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act, and include the General Fund. Restricted current funds represent those operating funds on which restrictions have been imposed that limit the purposes for which such funds can be used, and include the auxiliary enterprise fund and the restricted fund.

SOUTHERN UNIVERSITY SYSTEM
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.

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. Funds for retirement of indebtedness are to service plant indebtedness of the university. Investment in plant includes all long-lived assets of the university. Certain plant assets are provided directly by the state and are funded by general obligation bonds of the state. While the plant assets are included in the financial statements, the general obligation bonds are not since they are funded by the state treasurer.

Agency Funds

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

D. BASIS OF ACCOUNTING

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

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.

SOUTHERN UNIVERSITY SYSTEM
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 nonmandatory nature for all other cases.

E. BUDGET PRACTICES

The appropriations made for the General Fund of the Southern University System is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Louisiana Board of Regents for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The original approved budgets and subsequent amendments approved are as follows:

	Board and System Administration	Baton Rouge Campus	New Orleans Campus	Shreveport- Bossier City Campus
Original approved budget	\$4,398,315	\$72,969,341	\$18,417,918	\$5,939,606
Amendments:				
State General Fund	(2,916,227)	4,008,033	3,021,967	201,165
Interagency transfer		240,190	50,000	
Total budgeted amounts	<u>\$1,482,088</u>	<u>\$77,217,564</u>	<u>\$21,489,885</u>	<u>\$6,140,771</u>

The other funds of the university, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

**F. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes cash on hand, demand deposits, interest-bearing demand deposits, cash in state treasury, and cash in trust accounts. Cash equivalents include amounts in time deposits. Under state law, the Southern University System may deposit funds within a fiscal agent bank organized under 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.

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

In accordance with Louisiana Revised Statute (R.S.) 49:327(C)(3), the university is authorized to invest funds in direct United States Treasury obligations and, in addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. The majority of the university's investments are in repurchase agreements with maturity dates of one to three days from the time of purchase and in United States Treasury securities and municipal bonds and are reported at fair value on the balance sheet.

During the year, the university invested idle cash in its checking account in repurchase agreements secured by United States Treasury notes. The agreements matured in one to three days.

G. INVENTORIES

Inventories are valued at lower of cost or market. The university uses both perpetual and periodic inventory systems and values its inventory using the FIFO valuation method. 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 expended when sold or used, except for athletic books inventory and donated inventory from the Department of Agriculture, which are recorded at fair market value and year-end balances are offset by a fund balance reserve that indicates this portion of the fund balance does not constitute available spendable resources.

H. DEFERRED REVENUES

Tuition and fees collected at June 30, 1999, but applicable to the 1999 summer session, are reported as deferred revenues. Expenses relating to this session are reported in the period the tuition and fees are recognized as revenues.

I. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve fund balances, is employed by the university. Encumbrances outstanding at year-end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does not have the ability to finance the liquidation of encumbrances after June 30, 1999, as provided by R.S. 39:82. No encumbrances are outstanding for the General Fund at June 30, 1999.

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

J. PLANT ASSETS

Physical plant and equipment are stated at cost at the date of acquisition, estimated cost if actual cost is not known, fair market value at date of donation in the case of gifts, or market value for livestock. Public domain or infrastructures are not capitalized. No depreciation has been provided on plant assets.

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

L. TOTAL COLUMNS ON STATEMENTS

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

2. CASH AND CASH EQUIVALENTS

At June 30, 1999, the university has cash and cash equivalents (book balances) totaling \$4,277,735 comprised as follows:

Demand deposits	\$940,263
Interest-bearing demand deposits	1,136
Time deposits	3,323,518
Petty cash (on hand)	5,773
Cash in trust accounts	7,045
	<hr/>
Total	<u>\$4,277,735</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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

These securities are held in the name of the university or the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1999, the university has \$5,266,988 in deposits (collected bank balances). These deposits are secured from risk by \$707,045 of federal deposit insurance (GASB Category 1) and \$4,559,943 of pledged securities held by the custodial bank in the name of the university (GASB Category 3).

3. DUE TO AND FROM OTHER CAMPUSES

Substantially all cash received by the university is deposited into a pooled cash account. At June 30, 1999, the Restricted Fund at the Southern University - New Orleans campus and the Restricted Fund at the Shreveport-Bossier City campus have made disbursements in excess of the fund's equity in the pooled cash account resulting in \$1,875,943 due from the Southern University - New Orleans campus to the Southern University - Baton Rouge campus and \$145,689 due from the Southern University - Shreveport-Bossier City campus to the Southern University - Baton Rouge campus. For presentation purposes, these amounts have been eliminated from Statement A.

4. INVESTMENTS

At June 30, 1999, the university has investments totaling \$28,691,203 as follows:

	<u>Fair Value</u>
Board and System Administration - Repurchase Agreements	<u>\$4,200,462</u>
Baton Rouge Campus:	
Repurchase Agreements	18,217,450
United States Government Securities	466,891
Corporate Bonds	117,634
Money Market Mutual Fund	51,304
Total Baton Rouge Campus	<u>18,853,279</u>
New Orleans Campus:	
Repurchase Agreements	3,294,841
United States Government Securities	190,510
AIM Charter Fund Investment	204,535
Liberty Freedom Fund Investment	125,372
Money Market Mutual Fund	706,086
Total New Orleans Campus	<u>4,521,344</u>

SOUTHERN UNIVERSITY SYSTEM
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Notes to the Financial Statements (Continued)

	<u>Fair Value</u>
Shreveport-Bossier City Campus:	
Repurchase Agreements	\$1,083,895
United States Government Securities	32,223
Total New Orleans Campus	<u>1,116,118</u>
 Total All Campuses	 <u><u>\$28,691,203</u></u>

The investments are in repurchase agreements, United States government securities, corporate bonds, and money market mutual funds and are reported at fair value on the balance sheet. Investments of \$26,796,948 in repurchasement agreements and \$689,624 in United States government securities are reported in GASB Category 1. Investments of \$875,024 in corporate bonds and money market mutual funds are reported in GASB Category 2. The remaining investments in mutual funds are uncategorized in applying the credit risk of GASB Codification Section 150.164.

5. 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>
Current Funds:			
Unrestricted:			
General	\$2,677,327	\$852,220	\$1,825,107
Auxiliary Enterprises	967,455	275,625	691,830
Restricted	10,691,597	59,611	10,631,986
Student Loan Funds	2,729	1,865	864
Plant Funds:			
Unexpended	457,154	78,497	378,657
Retirement of Indebtedness	22,893	15,077	7,816
 Total	 <u><u>\$14,819,155</u></u>	 <u><u>\$1,282,895</u></u>	 <u><u>\$13,536,260</u></u>

The university currently establishes an allowance for doubtful accounts for student receivables after one year and writes off the accounts after three years.

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

6. NOTES RECEIVABLE

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

	<u>Notes Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
Perkins Loan Fund	\$2,969,198	\$2,937,362	\$31,836
Student Government Association loans	312,858	969	311,889
Long-term institutional loans	<u>116,147</u>	<u>116,147</u>	
Total	<u>\$3,398,203</u>	<u>\$3,054,478</u>	<u>\$343,725</u>

7. PENSION PLANS

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

Funding Policy. The contribution requirements of plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. 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. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRS for the years ended June 30, 1999, 1998, and 1997, were \$5,475,826, \$5,509,986, and \$5,345,002, respectively, and to LASERS for the years ended June 30, 1999,

**SOUTHERN UNIVERSITY SYSTEM
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Notes to the Financial Statements (Continued)

1998, and 1997, were \$2,649,295, \$2,722,203, and \$2,536,041, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT PLAN

R.S. 11:921 created an optional retirement plan for academic and administrative employees of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

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

Total contributions by the university are 16.5% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the Teachers Retirement System of Louisiana. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer contributions to the optional retirement plan totaled \$2,203,653 for the year ended June 30, 1999.

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

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expenditure when paid during the year. These retiree benefits total \$1,341,808 for 482 retirees for the year ended June 30, 1999.

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

10. RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by legislative appropriation and are not reflected in the university's financial statements. The university is involved in numerous lawsuits at June 30, 1999, in which the plaintiffs are seeking damages.

11. COMPENSATED ABSENCES

At June 30, 1999, employees of the university have accumulated and vested \$10,498,034 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

12. LONG-TERM DEBT

Installment Purchase Payable

The Southern University - New Orleans campus has entered into two installment purchase agreements with International Business Machine Credit Corporation for the purchase of computer equipment at interest rates of 4.09% and 6.13%. The Shreveport-Bossier City campus has entered into five installment purchase agreements with Mainline Computer Systems at interest rates of 4.00% to 5.45%. These agreements require scheduled payments on a monthly basis. The following is a summary of installment purchase payable transactions for the year ended June 30, 1999:

Balance at July 1, 1998	\$404,744
Installment payments in 1999	<u>(198,162)</u>
Installment purchase payable at June 30, 1999	<u>\$206,582</u>

The following is a summary of future minimum installment payments as of June 30, 1999:

SOUTHERN UNIVERSITY SYSTEM
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Notes to the Financial Statements (Continued)

Year ending June 30:	
2000	\$139,604
2001	<u>74,168</u>
Total minimum installment payments	<u>213,772</u>
Less - amount representing interest	<u>(7,190)</u>
Total	<u><u>\$206,582</u></u>

The installment purchase agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the Louisiana Legislature does not make an appropriation for their continuation during any future fiscal period.

Bonds and Contracts Payable

The following is a summary of bonds and reimbursement contracts payable transactions of the university for the year ended June 30, 1999:

Bonds and contracts payable at July 1, 1998	\$1,627,530
Bonds and contracts retired	<u>(250,353)</u>
Bonds and contracts payable at June 30, 1999	<u><u>\$1,377,177</u></u>

A detailed summary of all debt outstanding at June 30, 1999, including interest payments of \$410,153, follows:

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

<u>Bond Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 1998</u>
Baton Rouge Campus:			
Academic Facilities Building Use Fee Revenue Bonds - Series 1970-A	December 1, 1970	\$1,400,000	\$295,000
Expansion of Student Union Building Bonds	February 15, 1974	1,400,000	540,000
A. W. Mumford Stadium Track Resurfacing Bonds - Series 1993	November 1, 1993	650,000	553,000
New Orleans Campus - Academic			
Facilities Building Use Fee Revenue Bonds - Series 1971	May 1, 1971	655,000	130,000
Reimbursement contracts -			
Baton Rouge:			
Reroofing Dunn Hall	February 1, 1991	125,002	73,530
Azalea Dormitory Renovation	February 1, 1991	120,000	36,000
Total		\$4,350,002	\$1,627,530

<u>Redeemed (Issued)</u>	<u>Outstanding June 30, 1999</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 1999</u>
\$90,000	\$205,000	1999-2000	7%	\$10,375
75,000	465,000	1999-2004	6.20%	91,250
26,000	527,000	1999-2013	6% - 6.25%	299,753
40,000	90,000	1999-2001	6.5%	8,775
7,353	66,177	1999-2008		
12,000	24,000	1999-2001		
<u>\$250,353</u>	<u>\$1,377,177</u>			<u>\$410,153</u>

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

The annual requirements to amortize all bonds outstanding at June 30, 1999, including interest of \$410,153, are as follows:

<u>Bonds</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Baton Rouge Campus:			
Academic Facilities Building Use Fee Revenue Bonds - Series 1970-A	\$107,750	\$107,625	
Expansion of Student Union Building Bonds	109,063	109,063	\$113,750
A. W. Mumford Track Stadium Resurfacing Bonds - Series 1993	66,633	65,744	65,680
New Orleans Campus - Academic Facilities Building Use Fee Revenue Bonds - Series 1971			
	52,313	46,462	
Reimbursement contracts - Baton Rouge:			
Reroofing Dunn Hall	7,353	7,353	7,353
Azalea Dormitory Renovation	12,000	12,000	
Total	<u>\$355,112</u>	<u>\$348,247</u>	<u>\$186,783</u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 1999:

<u>Bonds</u>	<u>Cash/ Investment Reserves Available</u>	<u>Reserve Requirements</u>	<u>Excess</u>
Baton Rouge Campus:			
Academic Facilities Building Use Fee Revenue Bonds	\$452,256	\$107,750	\$344,506
Expansion of Student Union Building Bonds	456,161	113,750	342,411
A. W. Mumford Stadium Track Bonds	92,272	46,584	45,688
New Orleans Campus - Academic Facilities Building Use Fee Revenue Bonds			
	481,648	50,850	430,798
Total	<u>\$1,482,337</u>	<u>\$318,934</u>	<u>\$1,163,403</u>

<u>2003</u>	<u>2004</u>	<u>Subsequent Years</u>	<u>Total</u>
			\$215,375
\$112,813	\$111,561		556,250
65,423	64,991	\$498,281	826,752
			98,775
7,353	7,353	29,413	66,178
			24,000
<u>\$185,589</u>	<u>\$183,905</u>	<u>\$527,694</u>	<u>\$1,787,330</u>

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

In addition to the bond agreements, the university has entered into two reimbursement contracts with the State of Louisiana for the renovation of Azalea Dormitory and the reroofing of Dunn Hall on the Baton Rouge campus. The contracts require that an amount equal to a minimum of one tenth of the average annual debt payment be deposited in a reserve fund with the state treasurer. At June 30, 1999, the balance in the reserve fund is \$15,482.

13. GENERAL FUND - DUE TO STATE TREASURY

As shown on Statement A, the General Fund has \$250 due to the state treasury, payable from the Board and System Administration current year appropriation.

14. RESERVATIONS OF FUND BALANCES

Reservations of fund balances at June 30, 1999, as shown on Statement A, are as follows:

Fund	Reserved for		Bond Indentures	Total
	Encumbrances	Inventories		
Current Funds:				
Unrestricted:				
General		\$119,374		\$119,374
Auxiliary Enterprises	\$69,753	49,557		119,310
Restricted	1,039,014			1,039,014
Plant Funds:				
Unexpended	35,807			35,807
Retirement of Indebtedness			\$318,934	318,934
Total	\$1,144,574	\$168,931	\$318,934	\$1,632,439

15. FUND DEFICIT

As shown on Statement A, as of June 30, 1999, the General Fund has a deficit of \$6,084,766 as a result of recording the liability for compensated absences. The deficit will be funded by future General Fund appropriations and other revenues.

16. RESTRICTED FUND BALANCE

The university has an unexpended General Fund appropriation of \$2,352,226 at June 30, 1999, as follows:

SOUTHERN UNIVERSITY SYSTEM
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Notes to the Financial Statements (Continued)

Board and System	\$182,761
Baton Rouge	1,137,304
New Orleans	1,017,944
Shreveport-Bossier City Campus	<u>14,217</u>
Total	<u><u>\$2,352,226</u></u>

As provided by Act 971 of 1985 [R.S. 17:3386(A)], the university adopted a building and facility preventative maintenance program, which was approved by the Louisiana Board of Regents. This program allows the university to expend appropriated funds during subsequent fiscal years that were unexpended and unobligated at June 30, 1999. At least 50% of these funds must be used solely for preventative maintenance purposes, in accordance with the approved program, subject to approval by the Southern University Board of Supervisors, the Board of Regents, and the Joint Legislative Committee on the Budget. The remaining funds can be spent for nonrecurring items. The university has \$359,207 of its state General Fund appropriation remaining at June 30, 1999, which will be retained for these purposes as follows:

Baton Rouge Campus	\$225,228
New Orleans Campus	119,762
Shreveport-Bossier City Campus	<u>14,217</u>
Total	<u><u>\$359,207</u></u>

Desegregation Settlement funds to be re-appropriated in the subsequent fiscal year totaled \$1,993,019 as follows:

Board and System	\$182,761
Baton Rouge	912,076
New Orleans	<u>898,182</u>
Total	<u><u>\$1,993,019</u></u>

17. STUDENT LOAN FUNDS

The fund balances of the student loan funds at June 30, 1999, are as follows:

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

Perkins Loan Fund	\$83,679
Special Scholarship and Loan Contribution Fund	19,904
Southern University Short-Term Loan Contribution Fund	21,612
Kappa Alpha Psi Loan Contribution Fund	500
SGA Student Loan Fund	403,391
Law Center Loan	9,516
Centennial Contributions Loan Fund	1,606
Student Revolving Loans Fund	3,380
Long-Term Institutional Loans	2,992
Federal Direct	68,099
	<u>68,099</u>
Total	<u><u>\$614,679</u></u>

18. ENDOWMENT FUNDS

The fund balances of the endowment funds at June 30, 1999, are as follows:

<u>Endowment</u>	<u>Board and System</u>	<u>Baton Rouge Campus</u>	<u>New Orleans Campus</u>	<u>Total</u>
Alvin J. Lawson Endowed Professorship			\$129,817	\$129,817
Cargill, Incorporated Endowment		\$27,000		27,000
Chancellor's Endowment		1,228,324	1,061,817	2,290,141
Frank Hayden Memorial Endowment		145,640		145,640
Endowed Professorship Engineering		135,763		135,763
Endowed Professorship Architecture		135,763		135,763
Ford Motors Corporation Endowment		125,000	189,520	314,520
General Motor Company Endowment		250,000		250,000
L. J. Harrison Endowment		16,200		16,200
Louisiana Real Estate Commission Endowment			64,458	64,458
TRW Scholarship Endowment		28,573		28,573
George L. Netterville Endowment	\$64,257			64,257
Barbara Dixon Endowment	64,257			64,257
Law Center River Parish Claimant Endowment		100,000		100,000
Houston Area Alumni - Hibernia Endowment		26,801		26,801
SU Atlanta Alumni - Hibernia Endowment		4,911		4,911
Miscellaneous endowments		23,962		23,962
		<u>23,962</u>		<u>23,962</u>
Total	<u><u>\$128,514</u></u>	<u><u>\$2,247,937</u></u>	<u><u>\$1,445,612</u></u>	<u><u>\$3,822,063</u></u>

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

19. PLANT FUNDS

The restricted fund balances of the unexpended plant funds at June 30, 1999, are as follows:

General plant and grounds	\$869,601
Academic enhancement	2,239,170
Traffic and parking	636,705
Property damage	9,914
Athletic facilities	1,158,218
Construction accounts	<u>83,140</u>
 Total	 <u><u>\$4,996,748</u></u>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 93, Recognition of Depreciation by Not-for-Profit Organizations, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived tangible assets in their financial statements. In January 1988, the GASB issued Statement No. 8, which addresses the implementation of FASB Statement No. 93. Codification of Governmental Accounting and Financial Reporting Standards Section Co5.102 states that "Colleges and universities that follow the AICPA Industry Audit Guide, Audits of Colleges and Universities, should not change their accounting and reporting for depreciation of capital assets as a result of FASB Statement No. 93; the GASB has several projects under way that may affect that reporting." As reflected in note 1-D, depreciation is not currently recognized by the university.

A summary of investments in plant follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	\$6,921,842			\$6,921,842
Land improvements	3,690,872	\$109,825		3,800,697
Buildings	158,574,423	11,210,294	\$22,000	169,762,717
Equipment	49,837,239	6,071,655	2,371,389	53,537,505
Library books	93,406,126	2,677,496	157,651	95,925,971
Livestock	126,865	9,853		136,718
 Total	 <u>\$312,557,367</u>	 <u>\$20,079,123</u>	 <u>\$2,551,040</u>	 <u>\$330,085,450</u>

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

20. AUXILIARY ENTERPRISES

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the year ended June 30, 1999, follows:

	Food Services	Housing	Bookstore	Student Center	Others	Total
Net increase in fund balances	\$181,470	\$188,785	\$275,618	\$87,812	\$67,436	\$801,121
Net income	267,226	264,057	278,107	96,015	39,964	945,369
Net assets	927,705	460,565	454,161	653,341	761,120	3,256,892
Outstanding principal and interest on debt	66,177	24,000		556,250	826,753	1,473,180
Annual principal and interest on debt	7,353	12,000		108,750	66,355	194,458

21. FOUNDATIONS

The accompanying financial statements do not include the accounts of the Southern University Foundation - Baton Rouge and the Southern University Foundation - New Orleans. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

Certain operating expenses of the Southern University Foundation - Baton Rouge and Southern University Foundation - New Orleans for the year (assumed by Southern University System and included in the campuses' General Fund expenditures, Statement C) are summarized as follows:

	Baton Rouge Campus	New Orleans Campus
Salaries and related benefits	\$141,025	
Operating services	5,358	\$406
Travel		341
Total	\$146,383	\$747

22. PER DIEM PAID BOARD MEMBERS

Members of the Southern University Board of Supervisors receive \$50 per diem for each day of attendance of board meetings, committee meetings, or while on business for the board, as authorized by R.S. 17:3206. A summary of per diem paid board members for the year ended June 30, 1999, is as follows:

SOUTHERN UNIVERSITY SYSTEM
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Notes to the Financial Statements (Concluded)

<u>Name</u>	<u>Number</u>	<u>Amount</u>
Ishmail Abdul-Rahman	15	\$750
Harrison Baptiste	27	1,350
Dottie Bell	19	950
Patrick Bell	25	1,250
John Belton	4	200
Jesse Bilberry, Jr.	25	1,250
Jason Brown	6	300
Richard Caiton	1	50
Warren Chretien	16	800
Bertel Dejoie	16	800
Joe Gant, Jr.	36	1,800
Mamye Hall	28	1,400
Lawson Harvey	21	1,050
Andrea Jefferson	8	400
John Joseph	8	400
Anne Kiefer	12	600
Myron Lawson	24	1,200
Louis Miller	20	1,000
Lea Polk	2	100
Dorothy Scott	16	800
Willie Sensley	12	600
Total		<u>\$17,050</u>

23. DEFERRED COMPENSATION PLAN

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

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

The following pages contain supplementary information as required by *Technical Bulletin 98-1*, issued by the Governmental Accounting Standards Board (GASB) in October 1998. The provisions of the GASB technical bulletin, effective for financial statements dated after October 31, 1998, require disclosures in the notes to the financial statements about the governmental entity's readiness in addressing Year 2000 issues for its computer systems and other electronic equipment. In March 1999, GASB issued *Technical Bulletin 99-1*, which allowed the disclosure of Year 2000 issues in required supplementary information.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 1999**

YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many data processing systems and other equipment that may adversely affect the university's operations on or before January 1, 2000.

The Southern University System has completed an inventory of computer systems and other electronic equipment necessary to conducting the university's operations. Based on this inventory, the university has completed substantially all stages for all mission critical systems. The university has identified the following mission critical systems that will require Year 2000 remediation. There were no funds committed/contracted as of June 30, 1999.

<u>Mission Critical System</u>	<u>Awareness</u>	<u>Assessment</u>	<u>Remediation</u>	<u>Validation and Testing</u>
PC Workstation Compliance:				
Baton Rouge Campus	Complete	Complete	Complete	Complete
New Orleans Campus	Complete	Complete	Complete	Complete
Shreveport Campus	Complete	Complete	Complete	85%
Personnel Action Form - Tracking System (PAF)				
	Complete	Complete	Complete	85%
Financial Records System (FRS)				
	Complete	Complete	Complete	Complete
Human Resource System (HRS)				
	Complete	Complete	Complete	Complete
Upgrade Mainframe Operating System:				
Baton Rouge Campus	Complete	Complete	Complete	Complete
New Orleans Campus	Complete	Complete	Complete	Complete
Shreveport Campus	Complete	Complete	Complete	Complete
Upgrade Electronic Funds Transfer System:				
Baton Rouge Campus	Complete	Complete	Complete	Complete
New Orleans Campus	Complete	Complete	Complete	Complete
Shreveport Campus	Complete	Complete	Complete	Complete
Upgrade Lexis-Nexis				
	Complete	Complete	Complete	Complete
Upgrade West Law				
	Complete	Complete	Complete	Complete
Upgrade Student Record System:				
Baton Rouge Campus	Complete	Complete	Complete	Complete
New Orleans Campus	Complete	Complete	Complete	Complete
Embedded Chip System:				
Baton Rouge Campus	Complete	Complete	Complete	Complete
New Orleans Campus	Complete	Complete	Complete	90%
Shreveport Campus	Complete	Complete	Complete	85%

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
YEAR 2000 ISSUE**

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Southern University System's remediation efforts will be successful in whole or in part, or that parties with whom the Southern University System does business will be Year 2000 ready.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 1999**

The following supplemental information schedules comprise the Balance Sheet; Schedules of Changes in Fund Balances; and Schedules of Revenues, Expenditures, and Other Changes - Current Funds for the Board and System Administration, the Baton Rouge Campus, the New Orleans Campus, and the Shreveport-Bossier City Campus (Schedules 1-12). The Schedule of Agency Funds - Deposits Held for Others (Schedule 13) provides details of those amounts included on Statement A for the respective funds.

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
BOARD AND SYSTEM ADMINISTRATION
ALL FUNDS**

Balance Sheet, June 30, 1999

	CURRENT FUNDS		ENDOWMENT FUNDS	PLANT FUND - UNEXPENDED	TOTAL (MEMORANDUM ONLY)
	GENERAL	RESTRICTED			
ASSETS					
Cash and cash equivalents	\$13,430	\$204,640	\$128,514	\$6,337	\$352,921
Investments	302,077	3,755,849		142,537	4,200,463
Accrued interest		1,983			1,983
Accounts receivable	23,280	464,388			487,668
Deferred charges and prepaid expenses	34,197	200			34,397
TOTAL ASSETS	\$372,984	\$4,427,060	\$128,514	\$148,874	\$5,077,432
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$129,393	\$62,197			\$191,590
Accrued liabilities	60,580	24,636			85,216
Due to state treasury	250				250
Compensated absences payable	303,117				303,117
Total Liabilities	493,340	86,833	NONE	NONE	580,173
Fund Equity - fund balances:					
Reserved		8,215			8,215
Current operations:					
Unrestricted (deficit)	(303,117)				(303,117)
Restricted	182,761	4,332,012			4,514,773
Noncurrent operations - restricted			\$128,514	\$148,874	277,388
Total Fund Equity	(120,356)	4,340,227	128,514	148,874	4,497,259
TOTAL LIABILITIES AND FUND EQUITY	\$372,984	\$4,427,060	\$128,514	\$148,874	\$5,077,432

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
BOARD AND SYSTEM ADMINISTRATION**

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

	CURRENT FUNDS		ENDOWMENT FUNDS	PLANT FUND - UNEXPENDED	TOTAL (MEMORANDUM ONLY)
	GENERAL	RESTRICTED			
Revenues and other additions:					
Unrestricted current fund revenues	\$1,481,698				\$1,481,698
Federal grants and contracts - restricted		\$711,851			711,851
State grants and contracts - restricted		245,404			245,404
Local grants and contracts - restricted		18,171			18,171
Private gifts, grants, and contracts - restricted		258,579			258,579
Investment income - restricted		18,462			18,462
Other sources		1,102,795		\$25,868	1,128,663
Total revenues and other additions	<u>1,481,698</u>	<u>2,355,262</u>	<u>NONE</u>	<u>25,868</u>	<u>3,862,828</u>
Expenditures and other deductions:					
Educational and general	1,373,136	1,822,210			3,195,346
Indirect costs recovered		16,332			16,332
Expended for plant facilities				4,514	4,514
Total expenditures and other deductions	<u>1,373,136</u>	<u>1,838,542</u>	<u>NONE</u>	<u>4,514</u>	<u>3,216,192</u>
Transfers among funds - additions (deductions) - nonmandatory - other	<u>NONE</u>	<u>24,020</u>	<u>NONE</u>	<u>NONE</u>	<u>24,020</u>
Net increase for the year	108,562	540,740	NONE	21,354	670,656
Fund balances (deficit) at beginning of year	<u>(228,918)</u>	<u>3,799,487</u>	<u>\$128,514</u>	<u>127,520</u>	<u>3,826,603</u>
Fund balances (deficit) at end of year	<u>(\$120,356)</u>	<u>\$4,340,227</u>	<u>\$128,514</u>	<u>\$148,874</u>	<u>\$4,497,259</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
BOARD AND SYSTEM ADMINISTRATION
CURRENT FUNDS**

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

	<u>GENERAL</u>	<u>RESTRICTED</u>
Revenues:		
Federal appropriations		\$81,568
State appropriations	\$1,481,698	
Federal grants and contracts		741,595
State grants and contracts		250,378
Local grants and contracts		18,888
Private gifts, grants, and contracts		86,915
Investment income		18,462
Other sources		600,384
Total revenues	<u>1,481,698</u>	<u>1,798,190</u>
Expenditures and transfers:		
Educational and general:		
Research		67,428
Public service		758,846
Academic support		262,840
Institutional support	1,298,937	427,459
Operations and maintenance of plant		284,001
Scholarships and fellowships		21,636
Compensated absences	74,199	
Total educational and general expenditures	<u>1,373,136</u>	<u>1,822,210</u>
Nonmandatory transfers for - other		(24,020)
Total expenditures and transfers	<u>1,373,136</u>	<u>1,798,190</u>
Other additions - excess of restricted receipts over transfers to revenues	<u>NONE</u>	<u>540,740</u>
Net increase in fund balances	<u>\$108,562</u>	<u>\$540,740</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
BATON ROUGE CAMPUS
ALL FUNDS**

Balance Sheet, June 30, 1999

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED		
ASSETS					
Cash and cash equivalents	\$219,227	\$157,881	\$50,442	\$105,626	\$2,103,593
Investments	9,104,130	3,551,343	1,049,266	76,259	144,344
Accrued interest			46,178	4,596	
Accounts receivable	988,832	568,203	5,781,672	225	
Notes receivable				138,431	
Due from other campuses			2,021,632		
Deferred charges and prepaid expenses	67,504	66,087	5,137		
Inventories	112,325	53,751			
Institutional plant					
Other assets					
TOTAL ASSETS	\$10,492,018	\$4,397,265	\$8,954,327	\$325,137	\$2,247,937
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$6,208,676	\$93,092	\$690,158	\$12,236	
Accrued liabilities	1,383,468	156,329	224,350		
Deposits held for others					
Deferred revenues	1,650,245	984,532			
Compensated absences payable	6,161,382	473,927	966,598		
Bonds payable					
Other liabilities		800		35,262	
Total Liabilities	15,403,771	1,708,680	1,881,106	47,498	NONE
Fund Equity:					
Net investment in plant					
Fund balances:					
Reserved	112,325	113,733	998,197		
Current operations:					
Unrestricted (deficit)	(6,161,382)				
Restricted	1,137,304	2,574,852	6,075,024		
Noncurrent operations - restricted				277,639	\$2,247,937
Total Fund Equity	(4,911,753)	2,688,585	7,073,221	277,639	2,247,937
TOTAL LIABILITIES AND FUND EQUITY	\$10,492,018	\$4,397,265	\$8,954,327	\$325,137	\$2,247,937

PLANT FUNDS					
UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
\$133,381	\$10,675	\$222,459		\$25,419	\$3,028,703
3,000,238	240,123	1,115,826		571,750	18,853,279
		8,738			59,512
363,652		2,809			7,705,393
					138,431
					2,021,632
					138,728
					166,076
			\$260,905,070		260,905,070
		15,482		6,300	21,782
<u>\$3,497,271</u>	<u>\$250,798</u>	<u>\$1,365,314</u>	<u>\$260,905,070</u>	<u>\$603,469</u>	<u>\$293,038,606</u>
\$38,097		\$493		\$52,041	\$7,094,793
8,134					1,772,281
				551,428	551,428
					2,634,777
					7,601,907
			\$1,287,177		1,287,177
					36,062
<u>46,231</u>	<u>NONE</u>	<u>493</u>	<u>1,287,177</u>	<u>603,469</u>	<u>20,978,425</u>
			259,617,893		259,617,893
35,807		268,084			1,528,146
					(6,161,382)
					9,787,180
<u>3,415,233</u>	<u>\$250,798</u>	<u>1,096,737</u>			<u>7,288,344</u>
<u>3,451,040</u>	<u>250,798</u>	<u>1,364,821</u>	<u>259,617,893</u>	<u>NONE</u>	<u>272,060,181</u>
<u>\$3,497,271</u>	<u>\$250,798</u>	<u>\$1,365,314</u>	<u>\$260,905,070</u>	<u>\$603,469</u>	<u>\$293,038,606</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
BATON ROUGE CAMPUS**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$74,103,406			
Tuition and fees - restricted			\$2,417,540	\$16,925
State grants and contracts - restricted			1,261,907	
Federal grants and contracts - restricted			29,468,445	
Local grants and contracts - restricted			4,500	
Private gifts, grants, and contracts - restricted			1,066,530	
Investment income - restricted			176,794	2,690
Interest on loans receivable				29,636
State funded endowments				
Endowment income				
Auxiliary enterprises revenues		\$10,926,116		
Additions to plant facilities				
Retirement of indebtedness				
Other sources			320,465	51,868
Total revenues and other additions	<u>74,103,406</u>	<u>10,926,116</u>	<u>34,716,181</u>	<u>101,119</u>
Expenditures and other deductions:				
Educational and general	73,547,062		31,987,712	
Auxiliary enterprises		10,199,189		
Indirect costs recovered			1,175,228	
Loan cancellations and write-offs				1,830
Administrative and collection costs				198
Expended for plant facilities				
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities				
Other				80,112
Total expenditures and other deductions	<u>73,547,062</u>	<u>10,199,189</u>	<u>33,162,940</u>	<u>82,140</u>
Transfers among funds - additions (deductions):				
Mandatory - principal and interest		(19,353)		
Nonmandatory:				
Capital improvements				
Other	33,473	(19,737)	(510,610)	
Total transfers among funds	<u>33,473</u>	<u>(39,090)</u>	<u>(510,610)</u>	<u>NONE</u>
Inventory increase (decrease)	<u>19,810</u>	<u>(61,695)</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	609,627	626,142	1,042,631	18,979
Fund balances (deficit) at beginning of year	<u>(5,521,380)</u>	<u>2,062,443</u>	<u>6,030,590</u>	<u>258,660</u>
Fund balances (deficit) at end of year	<u><u>(\$4,911,753)</u></u>	<u><u>\$2,688,585</u></u>	<u><u>\$7,073,221</u></u>	<u><u>\$277,639</u></u>

ENDOWMENT FUNDS	PLANT FUNDS				TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	
					\$74,103,406
	\$900,258		\$367,108		3,701,831
			48,353		1,261,907
					29,516,798
					4,500
					1,066,530
	26,184	\$5,228	41,147		252,043
					29,636
\$25,128					25,128
158,125					158,125
					10,926,116
				\$17,977,715	17,977,715
				210,353	210,353
	615,364		19,353		1,007,050
183,253	1,541,806	5,228	475,961	18,188,068	140,241,138
					105,534,774
					10,199,189
					1,175,228
					1,830
					198
	545,181	938,741			1,483,922
			210,353		210,353
			87,505		87,505
				1,826,561	1,826,561
1,675			11,005		92,792
1,675	545,181	938,741	308,863	1,826,561	120,612,352
			19,353		
	652,854				155,980
NONE	652,854	NONE	19,353	NONE	155,980
					(41,885)
181,578	1,649,479	(933,513)	186,451	16,361,507	19,742,881
2,066,359	1,801,561	1,184,311	1,178,370	243,256,386	252,317,300
\$2,247,937	\$3,451,040	\$250,798	\$1,364,821	\$259,617,893	\$272,060,181

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
BATON ROUGE CAMPUS
CURRENT FUNDS**

**Schedule 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	\$21,372,167	\$957,286	\$1,692,006
Federal appropriations	2,283,597		50,776
State appropriations	47,101,063		
Federal grants and contracts			28,058,837
State grants and contracts			914,161
Local grants and contracts			4,500
Private gifts, grants, and contracts			1,178,222
Sales and services of education departments	7,111		
Investment income	248,484	55,564	176,794
Auxiliary enterprise revenue		9,913,266	
Other sources	3,090,984		283,772
Total revenues	<u>74,103,406</u>	<u>10,926,116</u>	<u>32,359,068</u>
Expenditures and transfers:			
Educational and general:			
Instruction	32,854,050		772,839
Research	2,885,807		5,397,605
Public service	2,415,275		1,315,595
Academic support	7,846,706		7,355,536
Student services	4,208,596		2,392,592
Institutional support	11,400,389		1,199,175
Operations and maintenance of plant	7,272,637		1,092
Scholarships and fellowships	4,116,115		13,143,024
Compensated absences	547,487		139,255
Other			271,000
Total educational and general expenditures	<u>73,547,062</u>	NONE	<u>31,987,713</u>
Mandatory transfers for principal and interest		19,353	
Nonmandatory transfers for - other	(33,473)	19,737	510,610
Auxiliary enterprises expenditures		10,199,189	
Total expenditures and transfers	<u>73,513,589</u>	<u>10,238,279</u>	<u>32,498,323</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenues			1,181,886
Inventory increase (decrease)	19,810	(61,695)	
Net increase in fund balances	<u>\$609,627</u>	<u>\$626,142</u>	<u>\$1,042,631</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
NEW ORLEANS CAMPUS
ALL FUNDS**

Balance Sheet, June 30, 1999

	CURRENT FUNDS			STUDENT LOAN FUNDS	ENDOWMENT FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED		
ASSETS					
Cash and cash equivalents	\$60,885	\$17,178		\$4,722	\$218,761
Investments	1,361,638	386,377		106,228	1,226,851
Accrued interest			\$25,582		
Accounts receivable	617,166	93,051	3,611,529	277	
Notes receivable				173,458	
Deferred charges and prepaid expenses	80,824				
Inventories	7,049				
Institutional plant					
TOTAL ASSETS	\$2,127,562	\$496,606	\$3,637,111	\$284,685	\$1,445,612
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$217,386	\$20,522	\$228,946	\$12,592	
Accrued liabilities	209,686	3,335	82,490		
Due to other campuses			1,875,943		
Deposits held for others					
Deferred revenues	675,497	42,373			
Compensated absences payable	1,613,326	44,373	315,121		
Bonds payable					
Other liabilities				37,936	
Total Liabilities	2,715,895	110,603	2,502,500	50,528	NONE
Fund Equity:					
Net investment in plant					
Fund balances:					
Reserved	7,049				
Current operations:					
Unrestricted (deficit)	(1,613,326)				
Restricted	1,017,944	386,003	1,134,611		
Noncurrent operations - restricted				234,157	\$1,445,612
Total Fund Equity	(588,333)	386,003	1,134,611	234,157	1,445,612
TOTAL LIABILITIES AND FUND EQUITY	\$2,127,562	\$496,606	\$3,637,111	\$284,685	\$1,445,612

PLANT FUNDS				
UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
\$47,722	\$481,649		\$16,307	\$847,224
1,073,442			366,807	4,521,343
	19,731			45,313
5,946	1,383			4,329,352
				173,458
				80,824
				7,049
		\$56,041,235		56,041,235
<u>\$1,127,110</u>	<u>\$502,763</u>	<u>\$56,041,235</u>	<u>\$383,114</u>	<u>\$66,045,798</u>
\$6,478	\$154,734		\$12,479	\$653,137
				295,511
				1,875,943
7,000			370,635	377,635
				717,870
				1,972,820
		\$90,000		90,000
				37,936
<u>13,478</u>	<u>154,734</u>	<u>90,000</u>	<u>383,114</u>	<u>6,020,852</u>
		55,951,235		55,951,235
	50,850			57,899
				(1,613,326)
				2,538,558
1,113,632	297,179			3,090,580
<u>1,113,632</u>	<u>348,029</u>	<u>55,951,235</u>	<u>NONE</u>	<u>60,024,946</u>
<u>\$1,127,110</u>	<u>\$502,763</u>	<u>\$56,041,235</u>	<u>\$383,114</u>	<u>\$66,045,798</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
NEW ORLEANS CAMPUS**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$20,086,087			
Tuition and fees - restricted			\$894,511	\$18,128
State grants and contracts - restricted			43,376	
Federal grants and contracts - restricted			10,785,811	2,604,493
Private gifts, grants, and contracts - restricted			7,617	
Investment income - restricted			55,931	
Interest on loans receivable				3,976
State funded endowments				
Endowment income				
Auxiliary enterprise revenues		\$881,526		
Additions to plant facilities				
Retirement of indebtedness				
Other sources			68,976	2,027
Total revenues and other additions	<u>20,086,087</u>	<u>881,526</u>	<u>11,856,222</u>	<u>2,628,624</u>
Expenditures and other deductions:				
Educational and general	18,937,805	1,874	11,727,798	
Auxiliary enterprises		735,285		
Indirect costs recovered			157,024	
Expended for plant facilities				
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities				
Other				2,566,059
Total expenditures and other deductions	<u>18,937,805</u>	<u>737,159</u>	<u>11,884,822</u>	<u>2,566,059</u>
Transfers among funds - additions (deductions) - nonmandatory - other	<u>(78,709)</u>	<u>(30,177)</u>	<u>30,177</u>	<u>NONE</u>
Inventory increase (decrease)	<u>(2,653)</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	1,066,920	114,190	1,577	62,565
Fund balances (deficit) at beginning of year	<u>(1,655,253)</u>	<u>271,813</u>	<u>1,133,034</u>	<u>171,592</u>
Fund balances (deficit) at end of year	<u><u>(\$588,333)</u></u>	<u><u>\$386,003</u></u>	<u><u>\$1,134,611</u></u>	<u><u>\$234,157</u></u>

ENDOWMENT FUNDS	PLANT FUNDS		INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RETIREMENT OF INDEBTEDNESS		
				\$20,086,087
	\$363,511	\$90,878		1,367,028
				43,376
				13,390,304
				7,617
	23,315	39,841		119,087
				3,976
\$15,305				15,305
175,538				175,538
				881,526
			\$1,660,074	1,660,074
			111,035	111,035
	12,611			83,614
190,843	399,437	130,719	1,771,109	37,944,567
				30,667,477
				735,285
				157,024
	322,127			322,127
		111,035		111,035
		8,950		8,950
			351,601	351,601
5,406		516,963		3,088,428
5,406	322,127	636,948	351,601	35,441,927
NONE	(71,291)	NONE	NONE	(150,000)
NONE	NONE	NONE	NONE	(2,653)
185,437	6,019	(506,229)	1,419,508	2,349,987
1,260,175	1,107,613	854,258	54,531,727	57,674,959
\$1,445,612	\$1,113,632	\$348,029	\$55,951,235	\$60,024,946

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
NEW ORLEANS CAMPUS
CURRENT FUNDS**

**Schedule 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	\$6,010,441	\$181,902	\$706,407
State appropriations	13,503,697		
Federal grants and contracts			10,574,693
State grants and contracts			368,956
Local grants and contracts			39
Private gifts, grants, and contracts			19,265
Investment income	263,228	34,691	
Auxiliary enterprise revenue		664,933	
Other sources	308,721		55,033
Total revenues	<u>20,086,087</u>	<u>881,526</u>	<u>11,724,393</u>
Expenditures and transfers:			
Educational and general:			
Instruction	9,785,450		86,107
Research	61,634		151,732
Public service	8,537		1,614,956
Academic support	2,009,278		1,960,994
Student services	917,244		1,726,204
Institutional support	3,843,525		89,305
Operations and maintenance of plant	1,991,966		
Scholarships and fellowships	320,171		6,058,062
Compensated Absences		1,874	
Other			40,438
Total educational and general expenditures	<u>18,937,805</u>	<u>1,874</u>	<u>11,727,798</u>
Nonmandatory transfers for - other	78,709	30,177	(30,177)
Auxiliary enterprises expenditures		735,285	
Total expenditures and transfers	<u>19,016,514</u>	<u>767,336</u>	<u>11,697,621</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenues			(25,195)
Inventory decrease	(2,653)		
Net increase in fund balances	<u>\$1,066,920</u>	<u>\$114,190</u>	<u>\$1,577</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
SHREVEPORT-BOSSIER CITY CAMPUS
ALL FUNDS**

Balance Sheet, June 30, 1999

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
ASSETS				
Cash and cash equivalents	\$4,159	\$4,353		\$8,885
Investments	77,798	97,948		199,844
Accounts receivable	195,829	30,576	\$774,397	362
Notes receivable				31,836
Due from other funds		66,125	50,022	
Deferred charges and prepaid expenses	5,996		20,402	
Institutional plant				
TOTAL ASSETS	\$283,782	\$199,002	\$844,821	\$240,927
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$45,052	\$2,988	\$66,270	\$21,897
Accrued liabilities	72,866	105	32,998	
Due to other campuses			145,689	
Due to other funds				116,147
Deposits held for others				
Deferred revenues	151,647	13,605		
Compensated absences payable	478,541		141,649	
Installment purchase payable				
Other liabilities				
Total Liabilities	748,106	16,698	386,606	138,044
Fund Equity:				
Net investment in plant				
Fund balances:				
Reserved		5,577	32,602	
Current operations:				
Unrestricted (deficit)	(478,541)			
Restricted	14,217	176,727	425,613	
Noncurrent operations - restricted				102,883
Total Fund Equity	(464,324)	182,304	458,215	102,883
TOTAL LIABILITIES AND FUND EQUITY	\$283,782	\$199,002	\$844,821	\$240,927

PLANT FUNDS				
UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY FUNDS	TOTAL (MEMORANDUM ONLY)
\$11,822	\$11,139		\$8,529	\$48,887
298,128	250,559		191,841	1,116,118
9,059	3,624			1,013,847
				31,836
				116,147
				26,398
		\$13,139,145		13,139,145
<u>\$319,009</u>	<u>\$265,322</u>	<u>\$13,139,145</u>	<u>\$200,370</u>	<u>\$15,492,378</u>
			\$4,264	\$140,471
				105,969
				145,689
				116,147
			2,110	2,110
				165,252
				620,190
		\$206,582		206,582
			193,996	193,996
<u>NONE</u>	<u>NONE</u>	<u>206,582</u>	<u>200,370</u>	<u>1,696,406</u>
		12,932,563		12,932,563
				38,179
				(478,541)
				616,557
\$319,009	\$265,322			687,214
<u>319,009</u>	<u>265,322</u>	<u>12,932,563</u>	<u>NONE</u>	<u>13,795,972</u>
<u>\$319,009</u>	<u>\$265,322</u>	<u>\$13,139,145</u>	<u>\$200,370</u>	<u>\$15,492,378</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
SHREVEPORT-BOSSIER CITY CAMPUS**

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

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$5,934,702			
Tuition and fees - restricted			\$219,697	\$2,311
State grants and contracts - restricted			78,265	
Federal grants and contracts - restricted			4,889,234	
Private gifts, grants, and contracts - restricted			105,910	
Investment income - restricted			3,649	1,365
Interest on loans receivable				11,942
Auxiliary enterprise revenues		\$138,651		
Additions to plant facilities				
Retirement of Indebtedness				
Other sources			10,321	898
Total revenues and other additions	<u>5,934,702</u>	<u>138,651</u>	<u>5,307,076</u>	<u>16,516</u>
Expenditures and other deductions:				
Educational and general	5,814,314		4,932,492	
Auxiliary enterprises		64,576		
Indirect costs recovered			59,707	
Expended for plant facilities				
Disposal of plant facilities				
Retirement of Indebtedness				
Interest on indebtedness				
Other				100,906
Total expenditures and other deductions	<u>5,814,314</u>	<u>64,576</u>	<u>4,992,199</u>	<u>100,906</u>
Transfers among funds - additions (deductions):				
Mandatory - principal and interest	(84,224)		(55,380)	
Nonmandatory - other	(30,000)	(13,286)	13,286	
Total transfers among funds	<u>(114,224)</u>	<u>(13,286)</u>	<u>(42,094)</u>	<u>NONE</u>
Net increase (decrease) for the year	6,164	60,789	272,783	(84,390)
Fund balances (deficit) at beginning of year	<u>(470,488)</u>	<u>121,515</u>	<u>185,432</u>	<u>187,273</u>
Fund balances (deficit) at end of year	<u>(\$464,324)</u>	<u>\$182,304</u>	<u>\$458,215</u>	<u>\$102,883</u>

UNEXPENDED	PLANT FUNDS		TOTAL (MEMORANDUM ONLY)
	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	
			\$5,934,702
\$61,194	\$37,041		320,243
			78,265
			4,889,234
5,772	3,288		105,910
			14,074
			11,942
			138,651
		\$441,334	441,334
		127,127	127,127
559	1,096		12,874
<u>67,525</u>	<u>41,425</u>	<u>568,461</u>	<u>12,074,356</u>
			10,746,806
			64,576
			59,707
116,659			116,659
		372,878	372,878
	127,127		127,127
	12,477		12,477
			100,906
<u>116,659</u>	<u>139,604</u>	<u>372,878</u>	<u>11,601,136</u>
	139,604		(30,000)
NONE	139,604	NONE	(30,000)
(49,134)	41,425	195,583	443,220
368,143	223,897	12,736,980	13,352,752
<u>\$319,009</u>	<u>\$265,322</u>	<u>\$12,932,563</u>	<u>\$13,795,972</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
SHREVEPORT-BOSSIER CITY CAMPUS
CURRENT FUNDS**

**Schedule 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	\$1,283,382	\$19,737	\$36,397
Federal appropriations	420		
State appropriations	4,538,541		
Federal grants and contracts			4,732,647
State grants and contracts			72,218
Private gifts, grants, and contracts			108,441
Investment income	19,172	1,925	3,649
Auxiliary enterprise revenue		116,989	
Other sources	93,188		14,189
Total revenues	<u>5,934,703</u>	<u>138,651</u>	<u>4,967,541</u>
Expenditures and transfers:			
Educational and general:			
Instruction	2,657,609		326,987
Research			42,515
Public service			2,212
Academic support	477,910		127,690
Student services	314,253		1,847,609
Institutional support	1,772,142		134,041
Operations and maintenance of plant	541,517		
Scholarships and fellowships	42,831		2,444,393
Compensated absences	8,053		7,044
Total educational and general expenditures	<u>5,814,315</u>	NONE	<u>4,932,491</u>
Mandatory transfers for principal and interest	84,224		55,380
Nonmandatory transfers for - other	30,000	13,286	(13,286)
Auxiliary enterprises expenditures		64,576	
Total expenditures and transfers	<u>5,928,539</u>	<u>77,862</u>	<u>4,974,585</u>
Other additions - excess of restricted receipts over transfers to revenues	<u>NONE</u>	<u>NONE</u>	<u>279,827</u>
Net increase in fund balances	<u>\$6,164</u>	<u>\$60,789</u>	<u>\$272,783</u>

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
AGENCY FUNDS**

**Schedule of Agency Funds - Deposits
Held for Others
For the Year Ended June 30, 1999**

	<u>BATON ROUGE CAMPUS</u>	<u>NEW ORLEANS CAMPUS</u>	<u>SHREVEPORT- BOSSIER CITY CAMPUS</u>	<u>TOTAL</u>
Room deposits	\$437,698			\$437,698
Key deposits	60,452			60,452
Student deposits		\$166,177		166,177
Letter of Credit	996			996
Gerald Lee	267			267
Tressla White	267			267
Bayou Classic	6,110			6,110
Sharon Pattan	788			788
Karen Gant	21			21
Louisiana Department of Treasury	25,000			25,000
Lois Watterson	222			222
Leroy Thompson	150		\$475	625
Yolanda Mims	250		300	550
EduServ			1,335	1,335
SUNO Foundation		40,511		40,511
Eujon Selenia Jones	198			198
Rocha Roche'	3,995			3,995
Coastal System	350			350
Aragon Financial	1,000			1,000
DD Needham/Elmo Morgan	6,300			6,300
J. A. Jones/Summer Intern	4,752			4,752
Robert Matthews	612			612
Louisiana Stadium Expo		163,347		163,347
Other	2,000	600		2,600
	<u>\$551,428</u>	<u>\$370,635</u>	<u>\$2,110</u>	<u>\$924,173</u>
Total	<u>\$551,428</u>	<u>\$370,635</u>	<u>\$2,110</u>	<u>\$924,173</u>

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



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

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December 3, 1999

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

**SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Improper Deposit of University Fees

Southern University violated Louisiana law by depositing Career Day Registration Fees into the Southern University Alumni Federation account. The depositing of the fees into the Southern University Alumni Federation account constitutes a donation of university assets, which is a violation of Louisiana law. The Louisiana Constitution of 1974, Article VII, Section 14 provides that public funds, credit, property, or things of value shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. In addition, a good internal control system requires that controls be in place to ensure that all activities promoted as university programs are recorded, summarized, and reported in the records of the university.

EXHIBIT A

LEGISLATIVE AUDITOR

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Compliance and Internal Control Report
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During the fiscal year ended June 30, 1999, Career Day Registration Fees of \$51,325 were collected and deposited into the Southern University Alumni Federation account. These funds were collected from prospective employers for booth space at the Baton Rouge Campus on Career Exploration Day during the fall semester 1998. According to the university, these funds have been deposited into the Alumni Federation since the inception of the Career Day Program, approximately 20 years ago. As a result, the university did not record the transactions associated with the Career Day Registration Fees in the university records. Furthermore, the university may not have recovered costs associated with this event and may not have benefited from the revenue generated.

The university should ensure that all fees for use of university facilities or associated with university activities are properly deposited, recorded, summarized, and reported in the books of the university. Management of the Southern University System concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Lack of Signed Contracts

The Southern University - New Orleans Campus did not have signed contracts with vendors that operate the campus bookstore and provide video game machines in the Student Center. The university also did not advertise and award these contracts as required by the Louisiana Procurement Code. Attorney General Opinion 89-132 states that contracts involving the procurement of a combination of services and supplies must be advertised and awarded in accordance with the Louisiana Procurement Code. In addition, proper internal controls and good business practices require that the university and vendors providing services to the university have written, signed contracts specifying the terms and conditions of the contracts.

On May 29, 1998, the university advertised and rebid the bookstore contract that expired July 31, 1998. The bid was awarded to a vendor; however, a written, signed contract was not executed as of August 11, 1999. The unsigned contract requires the vendor to pay a fixed rent of \$55,000 per year, payable in equal quarterly installments, plus the vendor is required to furnish two textbook scholarships annually. As of June 30, 1999, the vendor should have remitted three payments totaling \$41,250; however, only one payment of \$13,750 was made during fiscal year 1999. In addition, the vendor provided no textbook scholarships. The university has made no effort to collect the amounts due from the vendor.

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
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The university did not have a contract for video game machines in the Student Center and did not advertise to award a contract for the fiscal year ended June 30, 1999. The vendor providing the video game machines has provided these services for many years and has been remitting to the university a 50% cash commission on cash receipts collected when the machines are emptied weekly.

Because the university does not have written, signed contracts, contractual rights of the university may be difficult to enforce against these vendors. In addition, untimely receipt of rent from vendors and cash payments from vendors increases the risk of lost revenues and fraud.

The university should ensure that contracts for services are awarded in accordance with the Louisiana Procurement Code and are approved and signed before allowing vendors to provide these services. The university should also establish adequate internal control monitoring procedures to ensure that amounts due the university are collected in accordance with the terms of the contracts. Management of the university concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

Additional Comment: The university response fails to address the rent in arrears from the bookstore operations.

Improper Handling of License Plate Fees

The former Chancellor of the Southern University - Baton Rouge Campus, Dr. Marvin Yates, inappropriately transmitted to the Southern University Alumni Federation \$199,000 of special license plate fees received by the university during the period from December 1993 to November 1997, which may have resulted in a violation of Louisiana law. A special College and University License Plate Contract entered into on March 2, 1993, between the university and the Louisiana Department of Public Safety and Corrections required that fees be paid to Southern University, not the Southern University Alumni Federation. The contract entered into pursuant to Louisiana Revised Statute 47:463.31 requires the Department of Public Safety and Corrections to pay a \$25 royalty fee to the university for each special license plate sold, to be used for academic or financial need based scholarships for students at that institution. The contract also required that the management board of the university be responsible for disbursing the funds received and for establishing the scholarship program. In addition, Article VII, Section 14(A) of the Louisiana Constitution of 1974 provides that the funds, credit, property or things of value of the state or of any political subdivision shall not be

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STATE OF LOUISIANA
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loaned, pledged, or donated to or for any person, association, or corporation, public or private.

According to the Alumni Federation, \$196,053 of the funds was expended for scholarships that were awarded at the discretion of the former Chancellor. The remaining funds were transferred back to the university on March 13, 1998. The former Chancellor made approximately 235 awards to 199 recipients. These awards were not reported to nor coordinated with the Southern University student financial aid office to determine if the students were eligible for the awards and to ensure that financial awards did not exceed the students' financial need.

By forwarding funds designated for the university to the Southern University Alumni Federation and selecting the recipients of the scholarships, the former Chancellor was in violation of the requirements spelled out in the contract and may have violated Louisiana law. In addition, by failing to coordinate awards with the student financial aid office, students may have received financial assistance awards that they were not eligible to receive.

The university should take the appropriate action to ensure that all university funds are deposited in the proper university accounts and that employees adhere to policies and procedures for awarding scholarships. Management of the university concurred with the finding and recommendation and outlined corrective action taken (see Appendix A, page 4).

Other Compliance Matters

The Baton Rouge City Police Department arrested one individual, an employee of the university's student financial aid section, and warrants for the arrest of two other individuals have been issued in connection with an alleged fraud perpetrated in the Federal College Work Study Program. The Investigative Audit Division of the Office of the Louisiana Legislative Auditor and an independent public accounting firm are currently performing an investigation of the receipt of Student Financial Aid funds by ineligible individuals.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern University System's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted the matter

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SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
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relating to lack of signed contracts, as mentioned in the compliance section of this report, that we consider to be a reportable condition. In addition, we noted the matters described below 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 the Southern University System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Lack of Controls Over Student Center Cash Receipts

The Southern University - New Orleans Campus has not maintained adequate internal controls over the collection and depositing of cash receipts at the Student Center. Good internal controls and business practices require that the university monitor the operations of the Student Center to ensure that amounts due the university are computed accurately, received promptly, and recorded and deposited on a timely basis.

The Student Center has video game machines, billiard tables, and a bowling alley. A vendor who services the video game machines on a weekly basis empties the machines and leaves 50% of the cash collections with the Student Center Director as the university's commission. Fees charged for bowling or for playing billiards are collected from the students by a Student Center attendant. Records obtained from the video game vendor reflect that a total of \$8,552 was remitted to the Student Center Director during fiscal year ended June 30, 1999; however, university records show that only \$1,666 was deposited. This indicates that a shortage of at least \$6,885 exists for video game receipts. As of June 30, 1999, only \$4,257 (including \$1,457 for video game machines) has been deposited for all activities in the Student Center compared to \$14,921 for the year ended June 30, 1998. This may indicate that further shortages exist for bowling and billiard table collections. On June 24, 1999, the Student Center Director reported to university police that all of the Student Center cash receipt records were stolen from his office.

Controls over Student Center collections are inadequate in that the video game vendor is remitting university commissions in the form of cash payments at the point of collection, and there is no review by the Comptroller's Office of the amounts deposited versus the amounts collected for all activities at the Student Center. This increases the risk that errors and fraud could occur and not be detected in a timely manner.

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STATE OF LOUISIANA
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The university should require vendors to remit commissions by check directly to the Comptroller's Office. The university should also establish adequate monitoring procedures to ensure that amounts collected by the Student Center are deposited promptly and are recorded accurately in the accounting records. Management of the university concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 5).

**Improper Collection of Funds and
Unauthorized Bank Account**

The Southern University - New Orleans Campus did not have adequate internal controls over the collection, deposit, and disbursement of funds for a Celebrity Golf Tournament for the benefit of scholarships for the New Orleans Campus and did not comply with the Southern University System's policies and procedures. Southern University System's Administrative and Fiscal Policies and Procedures Memorandum No. 32 (Collection of Cash and Fees, Cashiers, and Off Campus Bank Accounts) and good internal controls require segregation of duties for the authorization and approval of transactions and specific record keeping and accountability of assets.

Adequate internal controls were not in place to ensure that all funds received and disbursed were related to the activities of the golf tournament and that all funds collected were deposited into a university bank account. The funds were collected by the Chancellor of the Southern University - New Orleans Campus and a Southern University - Baton Rouge Campus employee and were deposited into an unauthorized bank account. The Baton Rouge Campus employee acted as coordinator for the golf tournament and was the only authorized signer on the account, which was opened with the knowledge and approval of the New Orleans Campus Chancellor. These two employees circumvented the internal controls of the Southern University System. In examining the receipts and disbursements related to the golf tournament, the following deficiencies were noted:

1. Certain expenditures were not supported by documentation as legitimate expenditures for the golf tournament. Of \$29,722 deposited and subsequently disbursed from the special bank account, only \$5,503 was properly supported by invoices and other documentation. Unexpended funds of \$10,245 were returned to the university, and the remaining \$13,974 was not accounted for and was not supported by proper documentation.

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2. Adequate records and segregation of duties were not maintained to ensure that there was proper accounting for all funds received, so we could not determine that all funds received were deposited.
3. Checks were deposited to the special bank account that were not intended for nor related to the golf tournament. A refund check made payable to Southern University for \$3,995 from National Spirit Group, Ltd., was deposited into the Southern University - New Orleans Campus Celebrity Golf Classic Account. The Athletic Foundation paid \$3,995 for cheerleader uniforms, and the university also paid \$3,995 for these same uniforms, resulting in a duplicate payment. The refund check from the National Spirit Group, Ltd. should have been deposited into the university account. A copy of the cancelled check provided by the vendor appears to have been endorsed by the New Orleans Campus Chancellor. The Chancellor stated that he was not aware of the transaction, and the signature on the back of the check was not his. After an investigation by the Southern University System Internal Auditor, the \$3,995 was returned to the university by the golf tournament coordinator. In addition, a check for \$227, which was apparently a refund of cheerleaders' expenditures, and a check for \$2,000, which was an unrestricted contribution from a private company to the Southern University - New Orleans Campus, were deposited into the Celebrity Golf Classic Account at the direction of the New Orleans Campus Chancellor. These amounts should also have been deposited into the university's bank account.
4. Two checks, totaling \$6,000, were disbursed from unrelated accounts of Southern University - New Orleans and were deposited into the Southern University - New Orleans Campus Celebrity Golf Classic Account. A \$3,000 check dated May 12, 1998, from the Southern University - New Orleans Campus 5K Walk/Run Threshold 2000 Account was deposited into the Southern University - New Orleans Campus Celebrity Golf Classic Account as seed money for the golf tournament. The Walk/Run account was established to account for funds raised for scholarships. A \$3,000 check dated May 7, 1998, from the Dr. Gerald Peoples, Chancellor - Contributions Account (established to account for funds that the Chancellor deems can be spent at his discretion) was also deposited into the Southern University - New Orleans Campus Celebrity Golf Classic Account as seed money for the golf tournament. The \$6,000 has been returned to the university and deposited into the Chancellor's account, although \$3,000 was paid from the Southern University - New Orleans Campus 5K Walk/Run Threshold 2000 Account.

EXHIBIT A

LEGISLATIVE AUDITOR

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Compliance and Internal Control Report
December 3, 1999
Page 8

Failure to adhere to internal controls established by the university resulted in a lack of accountability and an increased risk of misappropriation of funds.

The Southern University - New Orleans Campus should consult with its legal counsel regarding the appropriate actions to take in obtaining a proper accounting for and the recovery of funds associated with the golf tournament. The university should ensure that its employees comply with the Southern University System's Administrative and Fiscal Policies and Procedures and should ensure that internal controls are in place to safeguard assets. Management of the Southern University System concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 11).

Inadequate Controls Over Copy Machine Receipts

The Southern University System does not have adequate internal controls over the collection and deposit of funds from copy machines. Good internal controls require proper segregation of duties, adequate recordkeeping, accountability for cash collected, and restriction of improper use of copy machines. There are separate meters in each copy machine that register the number of cash copies and bypass copies (no charge) that have been made. These meters should be read each time that money is retrieved from the machines.

The Baton Rouge Campus has six copy machines that are available for public use at ten cents a copy. Four machines are located in the library, one in the student union, and one in the Special Education Department. In a review of internal controls for the six copy machines, the following deficiencies were noted:

1. In the library, the copy machines meters are not read each time the money is retrieved from the machines. The procedures now in place require one person to read the meters, one person to collect the money from the copy machines each week, and another person to count the money and reconcile the meter readings to the amount collected for the week. The same person who does the reconciliation makes the deposit. However, the meters are not read every time the money is collected, and there is no evidence that anyone else observes the collection and/or counting of the money. Machine readings from July 1, 1998, to March 29, 1999, indicate that receipts of \$22,092 should have been collected and deposited. However, deposits totaled only \$18,201 and is short \$3,891 for the nine-month period then ended. By-pass copies made from library machines totaled 44,539 for this same nine-month

LEGISLATIVE AUDITOR

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
Compliance and Internal Control Report
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period. There was no record to log the nature of the copies nor the individual making the copies.

2. In the student union, the employee who collects the money did not know how to read the meters and was only reading the by-pass meter. During 1999, a total of \$950 was deposited in monies collected from the student union copy machine; however, since there was no beginning meter reading, it could not be determined how much money should have been collected and deposited. Failure to read the cash meter resulted in a failure to perform any type of reconciliation procedure.
3. In the Special Education Department, copy machine receipts are not deposited timely. Machine readings as of June 1, 1999, reflect that approximately \$1,134 should be on-hand for deposit; however, \$1,381 was actually counted and deposited. Money from the copy machine had not been deposited since July 1998, when it was deposited for the first time in 20 months. A report for the July 1998 deposit reflects a shortage of \$630 (20%) out of \$3,300 that should have been collected and deposited for the period. The money is collected when the machine gets full and is stored in a locked filing cabinet in the Director of Special Education's office. The director says that he does not know how to read the meters in the machines; therefore, he does not deposit the money until he can get help to read the meters.

The New Orleans campus has five copy machines, and the Shreveport campus has one copy machine that are also available for public use at ten cents a copy. There is not a proper segregation of duties, proper records or accountability for cash collected from these machines. Meters were not read and compared to cash deposited, and there are no logs or records of by-pass copies. As a result, the amounts that should have been collected and deposited could not be determined. Actual amounts collected from July 1, 1998, to May 26, 1999, were \$15,394 and \$1,359 for the New Orleans and Shreveport campuses, respectively.

The lack of internal controls over these copy machine receipts increases the risk that errors and/or fraud could occur and not be detected in a timely manner.

The university should review written policies and procedures for copy machine receipts at all campuses, should train appropriate personnel in the proper reading of the machine meters, and should establish and maintain adequate internal controls for copy machine receipts. Management of Southern University System concurred in part with the finding

EXHIBIT A

LEGISLATIVE AUDITOR

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
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December 3, 1999
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and recommendation and outlined a plan of corrective action (see Appendix A, page 12).

Noncompliance With System Policies

An employee of Southern University at New Orleans, Dr. Patricia Harris, was allowed extended sick leave without appropriate approval from June 1, 1998, to August 20, 1999, and currently remains on extended sick leave. Southern University System Board Policy, Section 2-5, requires that a Personnel Action Form be completed for all personnel actions and transmitted to the President for approval and confirmation by the Board of Supervisors. In a letter dated June 2, 1998, the Director of Personnel at Southern University at New Orleans informed Dr. Gerald Peoples, Chancellor of the university, that a Personnel Action Form was required for extended sick leave for Dr. Harris.

In a letter dated March 15, 1999, we notified the university that Dr. Harris had been granted extended leave effective June 1, 1998. Subsequent to our notification, the President and Board of Supervisors approved Dr. Harris for extended leave. A doctor's letter dated March 17, 1998, addressed to Dr. Gerald Peoples, stated that Dr. Harris needed to be on a medical leave of absence for an undetermined period of time. However, she did not go on sick leave until June 1, 1998. On August 11, 1998, Chancellor Peoples changed Dr. Harris' position from Executive Vice Chancellor to Professor of Business Administration. Dr. Harris' salary of \$6,250 per month on a twelve-month basis was changed to \$7,368 per month on a nine-month basis. We learned from Chancellor Peoples during our exit conference on December 3, 1999, that Dr. Harris has not taught any classes since the position change. Dr. Harris' classes have been taught by adjunct instructors. While on sick leave, Dr. Harris has been actively serving on the boards of the Orleans Levee District and the New Orleans Business and Industrial District, a nonprofit agency.

Failure to submit the required Personnel Action Form resulted in noncompliance with university policy, and the movement of Dr. Harris to the Business Administration Department with an increase in monthly salary may not have been in the best interest of the university and taxpayers of the state.

The university should review the transactions associated with the employment of Dr. Harris, determine why system policies were not followed, and determine if Dr. Harris should be on extended sick leave while actively participating in the operations of another state agency and a nonprofit agency. In addition, the university needs to assess the justification of the salary increase afforded Dr. Harris when moved from the position of

LEGISLATIVE AUDITOR

SOUTHERN UNIVERSITY SYSTEM
STATE OF LOUISIANA
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December 3, 1999
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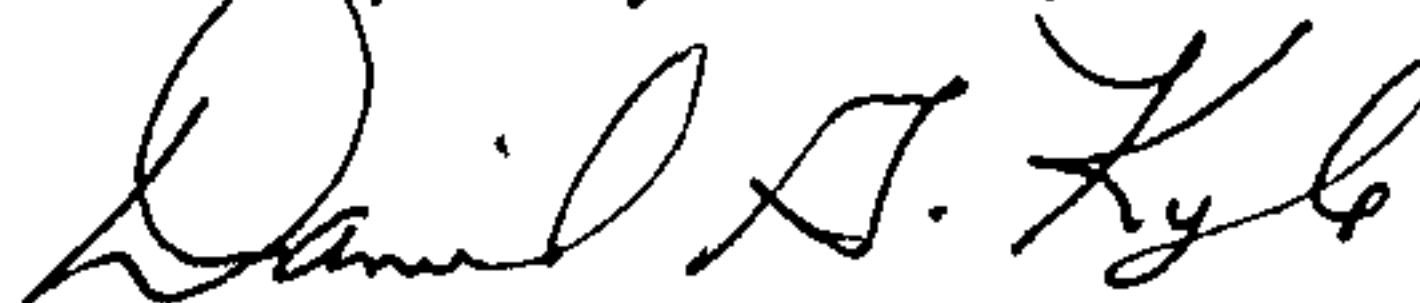
Executive Vice Chancellor to a position of Professor of Business Administration while on extended sick leave. Management of Southern University at New Orleans did not concur with the finding (see Appendix A, page 19).

Additional Comment: Management's response provides in part that ". . . the administrative decisions of SUNO's administrators have been done in good faith, in furtherance of public trust, and in the best interest of the University and its students and employees. . . ." Based on the facts provided in this finding, we respectfully disagree with this representation of management.

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. None of the reportable conditions described previously were considered to be material weaknesses.

This report is intended solely for the information and use of the Southern University System and its management and is not intended to be, and should not be, used by anyone other than those 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

FVP:JR:RCL:dl

[SOUTHERN]

EXHIBIT A

Appendix A

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

Office of the Chancellor
P. O. Box 9374
[225] 771-5020
FAX [225] 771-2018

November 23, 1999

Dr. Daniel G. Kyle, CPA, CPE
Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Submitted herewith is the University's response to the audit finding entitled, "*Improper Deposit of University Fees.*"

Statement of Concurrence

The management of Southern University at Baton Rouge concurs with the auditors reportable finding on improper deposit of University fees.

Corrective Action Plan

Effective December 1, 1999, all fees collected for Career Day registration will be deposited in the University's bank account. Any checks received after November 30, 1999, made payable to Southern University Alumni Federation, will be returned to the sender along with a request to have the check canceled and reissued in the name of the University. All Career Day brochures and related correspondence have been adjusted to indicate that payments for Career Day registration are to be made payable to Southern University at Baton Rouge instead of Southern University Alumni Federation. A special University account has been established for the receipt and disbursement of these funds.

Name(s) of contact person(s) responsible for corrective action

Al Barron, Director of Career Services

Dr. Daniel G. Kyle, CPA, CPE
November 23, 1999
Page 2

Anticipated Completion Date

December 1, 1999

If you need additional information, please let me know.

Sincerely,



Edward R. Jackson
Chancellor

/brs



SOUTHERN UNIVERSITY AT NEW ORLEANS

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

OFFICE OF THE CHANCELLOR

August 26, 1999

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

Dear Dr. Kyle:

Finding: Lack of Signed Contracts:

Southern University at New Orleans concurs with the Audit Finding siting the University for not having a signed contract for the University Bookstore and Video Game Machines in the Student Center.

Corrective Action Proposed:

- Bookstore - The University is in the final stage of getting a signed contract for the University Bookstore. It is anticipated that a signed contract will be completed by September 30, 1999.
- Video Game - The University will bid the Video Game activities in the Student Center. A temporary agreement will be executed to continue the game activities until a fully executed contract can be obtained.

The University will also develop procedures for the execution and renewal of contracts.

Contact Persons Responsible for Corrective Action:


Ms. Carolyn Rainey
Ms. Sherrye Carradine
Mr. Junius W. Robinson, Jr.

Anticipated Completion Date:

The completion date for fully executed contract is November 30, 1999.

If there are questions, please advise.

Sincerely,


Gerald C. Peoples
Chancellor



SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

BATON ROUGE, LOUISIANA 70813
(225) 771-2011

file

Baton Rouge, New Orleans,
Shreveport/Bossier City
LOUISIANA

Office of the President
(225) 771-4680

Fax Number
(225) 771-5522

October 28, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
STATE OF LOUISIANA
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

I am writing in reply to your audit finding concerning the Improper handling of License Plate fees by the former Chancellor of the Southern University at Baton Rouge. I concur with the audit finding as reported. The following steps have been made to correct the deficiencies cited in the audit.

1. A System Account was established in January 1998 for the administration of funds by the Board of Supervisors.
2. A Southern University System scholarship policy was implemented in November 1997.

All scholarship funds awarded since these policy changes have been made are in compliance with the scholarship policy.

Sincerely,

A handwritten signature in black ink, appearing to read "Leon R. Tarver II".

Leon R. Tarver II, Ph. D.
President

LRT/rdc

cc: Honorable Myron K. Lawson
Tolor E. White
Flandus McClinton, Jr.

**SOUTHERN UNIVERSITY AT NEW ORLEANS**

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

OFFICE OF THE CHANCELLOR

December 3, 1999

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

Dear Dr. Kyle:

Finding: Lack of Controls Over Cash Receipts

Southern University at New Orleans concurs with the Audit Finding siting inadequate internal controls over the collection and depositing of cash receipts at the Student Center.

Corrective Action Proposed:

The University has developed new policies and procedures for collecting and/or depositing of monies received from students for billiards, video games and bowling; inclusive of having vendors remit checks directly to the Comptroller's Office. Please see the attached.

Contact Persons Responsible for Corrective Action:

Dr. Melody Pierce
Dr. Gerald Williams
Mr. Junius W. Robinson

Implementation date:

September 27, 1999

Policy and Procedures:

The investigation associated with unreported cash receipts handled by the Student Union has been completed by the State Legislative Auditor Investigative Team. The person found to be responsible for this condition has been terminated, effective December 3, 1999.

Dr. Daniel G. Kyle, CPA, CFE
December 3, 1999
Page 2

If there are questions, please advise.

Sincerely,



Gerald C. Peoples
Chancellor

lh

Attachment

* Kyle, Daniel G. Kyle, CPA, CFE

Southern University at New Orleans

Procedures for Handling Cash Receipts in the Student Union

Daily Cash Receipts - By the Shift

- Supervisor - Checks the beginning reading (if available) at the start of business to make certain that the start numbers are accurate.
- Shift Operator - Reviews start numbers for accuracy.
- Enters all cash sales into the cash register at each point of sale - making sure that the appropriate keys are executed to identify the type of sales, etc.
- Removes all cash from the cash register at the close of the shift or business activity and sorts, counts and records by denominations on the required cash count form.
- If change was advanced to the operator at the start of the shift, the total amount that was received must be removed. The remaining amount should equal to the total cash sales.
- Adds (foots) cash receipts listed on the cash count form; and signs the cash count form.
- Turns cash, cash count form and other related documents over to the supervisor for verification.
- Supervisor - Reads/clears the cash register and computes the cash sales for that particular shift.
- Usually, this is done by subtracting the beginning reading (number) from the ending reading (number).
- Other methods may be used to determine cash sales for a particular shift and/or cashier when the procedures are written and approved by the Comptroller and the Vice Chancellor for Administration.
- Supervisor - Compares cash sales reported with cash count. Note any differences, if any, which could be a cash overage or a cash shortage.

- Signs report and prepares for submitting to the Comptroller's Office.
- Supervisor - Places cash, cash count form, sales report and other available support documents into a cash bag that is equipped with lock and key.
- Supervisor - Delivers cash bag to the Cashier's section of the Comptroller's Office for further processing.

If the reports are prepared after the cashier's activities have been closed, the cash and reports are to be locked in the vault for safekeeping until the following day.

Cash and cash reports are to be delivered to the Cashier's section of the Comptroller's Office by 10:00 a.m. the following work day.

- Supervisor - Obtains the office copy of the cash deposit receipt issued by the Cashier's Office and returns it to the Office for filing.
- Supervisor - Attaches the cash deposit receipt to the day's cash count and shift's report, and places in the office files.

Files are to be maintained under lock and key for review by audits and others as required.

Comptroller's Office

Procedure for handling cash receipts and reports from the Student Union:

- Cashier - Receives cash, cash count, and cash sales reports and other documents for day's or shift's activities from the Student Union.
- Verifies cash receipts by counting all the cash and tying back to the amounts listed on the cash count.
- Verifies the sales calculations (by checking the cash register tapes and/or other related documents).
- Cashier - Compares cash receipts with sales calculations.
- Enters/Posts cash sales in the Cashier's Receipting System.

- Issues receipts showing cash sales deposited.
- Cashier - Advises the Student Union Supervisor of any differences immediately.
- Advises the Comptroller immediately if differences are not resolved.
- Cashier - Files report documents in the daily cashier's report bag for that day.
- Records any discrepancies discovered when policies and procedures change.

Cash Collected from Contract Vendor

Supervisor/Shift Operator

- Works along side contract vendors when coin machines are being emptied.
- Observes the counting of cash removed from the coin machines.
- Verifies cash removed from the coin machines.
- Signs cash report prepared by the Vendor, maintaining a copy for the Office files and verifies the amount returned to the Student Union as earnings.

The Vendor will keep a copy of the report and the amount earned by the Student Union will be remitted to the Comptroller's Office by check.

Comptroller's Office/Cashier

- Receives check from the contract vendor.
- Posts receipts to the Student Union Account.
- Issues a receipt of deposit (made to the Student Union).

- Union Supervisor - Receives receipt of deposit from the cashier.

- Compares receipt with report.
- Attaches cashier's receipt to vendor file if there are no errors.
- Files in the permanent record folder and maintains under lock and key for audit review and other requirements.

When errors occur with cash received from contract vendors, the supervisor is to contact the contract vendor and notify the Comptroller's Office immediately.



SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

BATON ROUGE, LOUISIANA 70813

(504) 771-2011

Baton Rouge, New Orleans,
Shreveport/Bossier City
LOUISIANA

September 8, 1999

Fax Number:
(504) 771-5522

Office of the President
(504) 771-4680

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
STATE OF LOUISIANA
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We concur with your finding entitled *Improper Collection of Funds and Unauthorized Bank Account* on the Southern University New Orleans campus.

We have recovered the funds associated with the golf tournament that were disbursed without the proper documentation and deposited the funds into the SUNO Scholarship fund.

Appropriate action will be taken to ensure that the university employees comply with the Southern University System's Administrative and Fiscal policies and procedures.

The contact person responsible for corrective action is Vice President Ralph Slaughter.

Please let me know if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Leon R. Tarver II".

Leon R. Tarver II, Ph. D.
President
Southern University System

LRT/rdc

Office of the Chancellor
P. O. Box 9374
[225] 771-5020
FAX [225] 771-2018

August 17, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Submitted herewith is the University's response to the audit finding entitled "Inadequate Controls Over Copy Machine Receipts."

Statement of Concurrence

The Management of Southern University at Baton Rouge concur in part with the auditor's reportable finding relating to inadequate controls over copy machine receipts. Although it is possible that a shortage may have occurred we are not sure that this is an actual shortage or the results of the copy machines periodically malfunctioning.

Corrective Action Plan

• **Status of Action Taken**

The Vice Chancellor for Finance and Administration has convened a team of finance and administrative personnel along with the Xerox representative to read the meter, collect the money from the machines, count the money, reconcile the meter readings to the amounts collected and deposit the monies collected. All keys for the copy machines have been turned over to an appropriate staff member within the Finance and Administration Division. Instances of malfunctioning are being documented, reported and monitored.

- **Name(s) of contact person(s) responsible for corrective action**

1. Flandus McClinton, Jr. - Vice Chancellor for Finance and Administration
2. Tony Moudgil - Associate Vice Chancellor for Facilities Operations
3. Mayo Brew - Director of Auxiliary Services
4. Roland DeRouen - Operational Auditing Supervisor
5. Ammie Dunn - Interim Bursar
6. Roderick Early - Xerox Representative

- **Corrective Action Planned**

The University is currently in the process of evaluating a proposal to have Xerox manage and collect all funds from the copy machines that are designated for public use. The University will negotiate the commission with Xerox for operating the machines on University premises.

We are developing additional control procedures to strengthen operations in these areas. The Baton Rouge campus will also hire an Internal Auditor during the 1999-2000 fiscal year who will be responsible for monitoring areas with remote cash operations.

- **Anticipated Completion Date**

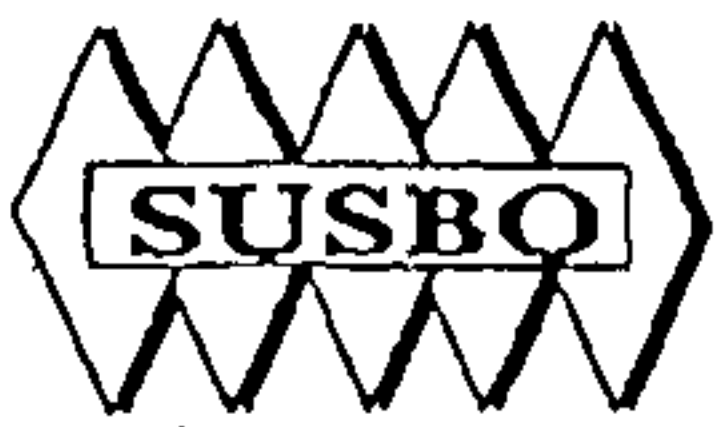
October 1999

Please let me know if additional information is needed concerning the foregoing response.

Sincerely,


Dr. Edward R. Jackson
Chancellor

/bm



*Celebrating 30 Years of
Excellence in Higher Education*

**Southern University at Shreveport-Bossier City
Office of the Chancellor**

June 30, 1999

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

RECEIVED
OFFICE OF THE
PRESIDENT
99 JUL -2 AM 10:35
SOUTHERN UNIVERSITY
SYSTEM

Dear Dr. Kyle:

Finding: Inadequate Controls Over Copy Machine Receipts

Southern University Shreveport concurs with the finding. The only copy machine available for public use on our campus is in the University Library. The proper procedure for the business use of this machine calls for the staff to utilize a by-pass option which would allow the meter to account for the transaction as a no-charge transaction. If the by-pass option was then utilized, only those transactions which were income-producing would show up and should then correspond exactly to amounts deposited. Additionally, any no-charge transaction should be properly documented in a log which should be initialed by the staff person who used the machine and reviewed periodically by the area supervisor.

Corrective Action Proposed:

Formal procedures for utilizing the copy machine for official university business on a no-charge basis should be documented, approved, and distributed to all Library personnel with access to the by-pass option. Further a log should be developed which indicates, at a minimum, the date of use; the number of copies made; purpose; and initials of the user. It should be maintained in a secure place and reviewed periodically by the area supervisor and reconciled at the time of each deposit.

Contact Persons Responsible For Corrective Action:

Dr. Orella Brazile, Librarian
Mr. Benjamin Pugh, Vice Chancellor for Administration
Mr. Bobby Gray, Director of Accounting Services

3050 Martin Luther King, Jr. Drive - Shreveport, Louisiana 71107
Phone: (318) 674-3312 Fax: (318) 674-3374
Toll-Free: 1-800-458-1472, Ext. 312
www.susbo.edu

"An Equal Opportunity Employer By Choice, Regardless Of Race, Color, Creed, Sex, Disability, Or Veteran Status."

Anticipated Completion Date:

July 31, 1999

If you have any questions or concerns in this regard, please advise me.

Sincerely,

A handwritten signature in black ink, appearing to be "JCB", written over a circular stamp or mark.

Dr. James C. Brown
Chancellor



SOUTHERN UNIVERSITY AT NEW ORLEANS

6400 Press Drive
New Orleans, LA 70126
(504) 285-5311
FAX (504) 284-5500

OFFICE OF THE CHANCELLOR

July 2, 1999

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

Dear Dr. Kyle:

Finding: Inadequate Control Over Copy Machine Receipts

This communication is in response to the reportable audit finding listed below for Southern University at New Orleans:

Southern University at New Orleans concurs with the findings as written. The University did not have in place established policies and procedures to show proper segregation of duties, proper records or accountability for cash collected from specified copier machines.

Corrective Action Proposed:

Effective July 1, 1999, Southern University at New Orleans changed from coin-operated copiers to card operated copiers in the three (3) areas mentioned. However, a coin-operated card dispenser will be located in the same area as the copiers. This corrective action plan addresses the policy and procedure for handling copy and cash control.

THE COMPTROLLER'S OFFICE AT SOUTHERN UNIVERSITY AT NEW ORLEANS WILL HAVE RESPONSIBILITY FOR IMPLEMENTING AND MONITORING THE PROCEDURES DESCRIBED BELOW:

- | | |
|------------------------|--|
| Comptroller's Office - | Will order, by way of a purchase requisition, number of coping cards that are anticipated for use during the operating year. |
| | Will deliver the purchase requisition to the Purchasing Department for further processing. |

- Purchasing Department - Will prepare a purchase order with required information and submit it to the respective vendor for further action.

The vendor will then deliver the cards to the University's Stores Department.
- Stores Department - Will receive the cards as required, check them in and deliver them to the Comptroller's Office.
- Comptroller's Office - Will receive the cards and store them in a safe, locked drawer in the Cashier's vault in the Cashier's area.
- Comptroller's Office - Will deliver cards weekly or as required to the respective card dispensing machines and load or reload each machine as needed.
- Comptroller's Office - Will record the inventory of cards in the machine and number of cards being added to the machine.
- Comptroller's Office - Will maintain an inventory of cards on hand always. A copy of the inventory will be maintained in the accounting section.
- Comptroller's Office - Will remove from the machines all cash receipts collected from the sale of copier cards, and record the receipts on a special cash count form designated for that purpose. Each machine will be accounted for separately.
- Comptroller's Office - Will deliver a copy of the cash count/card report forms and the cash collected to the Cashier's Office for verification and depositing.

A second copy of the cash count/card report forms is to be filed with the accounting section for further record keeping.
- Internal Auditor - Will audit the procedure annually.

Dr. Leon R. Tarver II
July 2, 1999
Page 3

Contact Persons Responsible for Corrective Action:

The contact person(s) are: Junius W. Robinson, Jr., Vice Chancellor for Administration and/or Gerald Williams, Comptroller.

Anticipated Completion Date:

The completion date for this implementation is July 7, 1999.

Sincerely,


Gerald C. Peoples
Chancellor

Attachment

cc Mr. Junius W. Robinson, Jr.
Dr. Gerald Williams



SOUTHERN UNIVERSITY AT NEW ORLEANS

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

OFFICE OF THE CHANCELLOR

December 9, 1999

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

Dear Dr. Kyle:

Attached for your review and consideration is an amended response to the Legislative Audit finding for FYE June 30, 1999, as related to noncompliance with System policies in connection with transactions associated with the employment of Dr. Patricia Harris.

Should you have any questions or need additional information, please let me know.

Sincerely,

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

Gerald C. Peoples
Chancellor

GCP/ama
A:30\Kyle.2

SOUTHERN UNIVERSITY AT NEW ORLEANS
Response to Legislative Audit for FYE June 30, 1999

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

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

DATE: December 9, 1999

FINDING

Noncompliance with Southern University System Board Policy, Section 2-5 in connection with transactions associated with the employment of Dr. Patricia Harris.

RESPONSE

1. The audit finding should reflect that Dr. Patricia Harris has retired from employment at SUNO effective October 18, 1999.
2. The University does not concur with the audit finding that transactions associated with the approval process authorizing sick leave for Dr. Harris were in noncompliance with Southern University System Board Policy, Section 2-5.
3. At all times during the transactions at issue, University administrators acted in compliance with the Board and System's designated written sick leave policy. While, by letter dated June 2, 1998, the University's Director of Personnel informed the administration that "if expected to be out for longer than thirty (30) days, a Personnel Action form must be completed, ...," at the time of the occurrence of the transactions at issue, no such policy existed in a memorandum as mandated by the Southern University System Board Policy, Section 3-3.¹ In light thereof, the University opines that even if practical considerations factor in the sick leave approval process, an audit citation

¹ Section 3-3. B.: Sick leave shall be granted each regular employee in accordance with policies approved by the Board, relevant State Statutes or Civil Service regulations, whichever are applicable. Such regulations and policies shall be issued by memorandum from the President. (underscore added)

issued against the University would be extreme in this case in which the University acted pursuant to its Board's designated sick leave policy.

4. Prior to March 15, 1999, the University's administrators were not aware of Dr. Harris' service on the boards of the Orleans Levee District and the New Orleans Business and Industrial District.

Dr. Harris' physician has certified on March 17, 1998, June 24, 1998, August 18, 1998, August 5, 1999, August 10, 1999, and September 7, 1999, that she needed to be on sick leave from the University. While the University does not challenge, when properly certified, a physician's determination of an employee's ability to return to work, upon learning of Dr. Harris' outside activities, the University requested the opinion of a second physician as to Dr. Harris' ability to return to work at the University. A September 7, 1999 medical opinion certified that she needed to be on sick leave from the University.

An employee's participation in outside activities may be allowable while on sick leave if the employee's physician determines that the outside activities are minimal and have no relationship to the conditions that resulted in the need for the sick leave.

5. The University concurs that the position transfer of Dr. Harris from Vice Chancellor for Academic Affairs to her former position of tenured Professor of Business created an increase in her monthly salary, however, her yearly salary decreased by \$8,381 (from \$75,000 to \$66,319). Dr. Harris' faculty salary was established based on her experience and in accordance with the established range for professor pursuant to the faculty pay plan in effect at the time of the transfer.
6. At all times relevant, the administrative decisions of SUNO's administrators have been done in good faith, in furtherance of public trust, and in the best interest of the University and its students and employees, to-wit: administrative decisions are based upon the bona fide business necessity of ensuring continuity of management of the academic affairs of the University, and, therefore, in service of legitimate goals of the University.

CORRECTIVE ACTION

1. The University will continue to comply with sick leave policies established by the Southern University System Board as set forth in memorandums issued by the Board's designated authority.
2. The University will prepare and submit PAFs in connection with sick leave approvals provided that such is the desire of the System's Board, and is

unequivocally expressed in policy memorandums, and/or as specially instructed to the Chancellor of SUNO by the Board and/or its members, and System officials.

3. Since an issue exists as to the applicability of Section 2-5 to sick leave approvals, the University will request clarification from the Southern University System Board's attorney as to the intent of the framers and writers of the Board's Bylaws and Regulations.

END