

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Grambling State University
State of Louisiana
Grambling, Louisiana

August 7, 1988



Financial and Compliance Audit Division

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

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GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
Grambling, Louisiana

Financial Related Audit
Dated March 20, 1988

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

August 7, 1988



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March 20, 1998

Independent Auditor's Report

DR. RAYMOND A. HORS, PRESIDENT
GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
Grambling, Louisiana

We have performed a financial related audit of certain transactions of the Bureau Department of Grambling State University. The objectives of our audit were to (1) expand our audit procedures relating to finding bank deposits of the Bureau Department as a result of a finding we reported in the annual audit of Grambling State University for the year ended June 30, 1996, and (2) determine the propriety of certain credit card transactions that were brought to our attention during our inquiries relating to deposits.

Our audit was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, applicable to a financial related audit. Our audit procedures, which are described in more detail in the methodology section of this report, consisted of (1) obtaining an understanding of management controls; (2) examining selected university records; (3) obtaining details of bank deposits and credit card charges from third parties; (4) interviewing certain university employees; (5) reviewing applicable university policies; (6) making inquiries to the extent we considered necessary to achieve our objectives; and (7) assessing the likelihood of irregularities and illegal acts in relation to the deposit and credit card transactions audited.

These limited procedures are substantially less in scope than an audit of the financial statements in accordance with government auditing standards, the purpose of which is to provide assurance on the entity's presented financial statements, assess the entity's internal control structure, and assess the entity's compliance with laws and regulations that could materially impact its financial statements. Had we performed such an audit or had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Based upon the application of the procedures referred to previously, the accompanying findings and recommendations represent those conditions that we feel warrant attention by the appropriate parties. Management's response to the findings and recommendations presented in this report is included in Attachment 1.

LEGISLATIVE AUDITOR

DR. RAYMOND A. HICKS, PRESIDENT
GRAMBLING STATE UNIVERSITY
STATE OF LOUISIANA
Financial Related Audit, Dated March 20, 1998

This report is for the use of management of Grambling State University and should only be used by those who fully understand the limited purpose of the procedures performed. By state law, this report is a public document. Copies of this report have been delivered to the District Attorney of the Third Judicial District and others as required by Louisiana Revised Statute 24:516.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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GRAMBLING STATE UNIVERSITY
Grambling, Louisiana

BACKGROUND

The Legislative Auditor's Office performs a full scope financial and compliance audit of the financial statements of Grambling State University annually. As a result of our financial and compliance audit of Grambling State University for the year ended June 30, 1995, we noted various control weaknesses within the Bursar Department of the university. These weaknesses resulted in several questionable transactions with a possibility for stolen or missing funds. We also had a reportable finding regarding the failure to deposit funds in the bank items, including that cash and checks had been misappropriated. Based upon these results, we determined that it would both serve the university and the public to perform additional detailed work in the Bursar Department and issue a separate report, if warranted. Consequently, we have performed an audit of certain transactions of the Bursar Department of Grambling State University.

OBJECTIVES

The objectives of our audit were to (1) apply expanded audit procedures relating to testing bank deposits of the Bursar Department as a result of a finding reported in the audit of Grambling State University for the year ended June 30, 1995, and (2) determine the propriety of certain credit card transactions that were brought to our attention during our inquiries relating to deposits.

AUDIT SCOPE

Our audit was performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, applicable to a financial related audit. The audit covered deposit transactions and certain credit card transactions handled by the Bursar Department of Grambling State University from July 1, 1994, through June 30, 1995.

METHODOLOGY

Our audit was performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, applicable to a financial related audit (general standards and the fieldwork and reporting standards for performance audits). Our procedures consisted of the following:

1. Obtaining an understanding of applicable management controls
2. Examining selected university records relating to the bank deposits and American Express credit card charges

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Background (Concluded)

3. Obtaining deposit details from the bank and credit card details from American Express
4. Interviewing certain university employees and managers in the bookstore and Bursar Department
5. Reviewing applicable university policies and procedures
6. Making inquiries to the extent we considered necessary to achieve our objectives
7. Assessing the likelihood of irregularities and illegal acts in relation to the transactions audited

GRAMBLING STATE UNIVERSITY
Grambling, Louisiana

FINDINGS AND RECOMMENDATIONS

Credit Card Transactions Not Billed or Reconciled

Grambling State University did not submit all charge slips to or receive payment from American Express for charges that were recorded on the university books as receivables for the year ended June 30, 1995. Furthermore, the credit card policies and procedures that were in place between July 1, 1994, and May 17, 1995, did not provide for the safeguarding of university assets. During this period, university policy provided for the bookkeeper to accept payment for goods with American Express credit cards. The resulting charge slips were submitted daily to the Bursar Department in exchange for cash that was included in the daily deposit of the bookkeeper. The bursar established a receivable for the amount of the charge slips and mailed the charge slips to American Express for payment to clear the receivables. There was no reconciliation of the recorded receivables to amounts billed. Good internal control and sound business practices require that procedures be established to promote timely billings to the credit card company for all amounts owed to the university and to keep credit transactions separate from cash transactions. In addition, there should be a periodic reconciliation of the period receivables to amounts billed and collected.

We examined all transactions for July, August, and September 1994 relating to American Express credit card activity and found no exceptions. In addition, we examined all transactions for February, March, April, and through May 17, 1995, which totaled \$13,874. For this second group, we noted 22 transactions totaling \$4,085 with exceptions as follows:

1. Receivable amounts for 19 transactions totaling \$2,685 were not submitted to American Express for collection. The Bursar Department could not furnish copies of charge slips to support this amount of receivables on the books. The receivables may have been set up to clear a similar amount of cash that was removed from the Bursar Department.
2. Receivables for \$247 of charges, representing three transactions that were supported with charge slips, were also not submitted to American Express for collection.
3. For one transaction totaling \$247 in charges, we could not determine if the university had submitted the charge slips for collection or not.

Because charge slips were not submitted to American Express for reimbursement for the 22 transactions noted in items 1 and 2, the university did not receive payment for these transactions. For the one transaction in item 3, it appears that the appropriate payment was not received, although a final determination could not be made. Furthermore, our review of the face of the 19 American Express transactions referred to in item 1 indicated that cash was

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Findings and Recommendations (Continued)

removed from daily receipts of the Bureau Department and the unsupported charges were set up as accounts receivable on the university books. As previously noted, no charge slips representing these receivables were submitted to American Express for collection or an effort to support the receivable entry; therefore, this \$2,808 remains uncollected. The failure to establish adequate controls over the American Express credit card transactions increases the risk that errors and/or irregularities could occur and not be detected.

On May 10, 1995, Grambling State University changed from a system of billing American Express to a system of electronic funds transfer created at the time the credit card is used. This eliminates the need to establish a receivable and manually bill for collections. There is also no need for cash to flow from the Bureau Department to the bookstore.

Grambling State University should submit all valid charge slips not previously submitted to American Express for collection. In addition, the university should work with the District Attorney for the Third Judicial District to review this information and take appropriate action regarding the American Express shortage noted in Item 4 of this finding. Management's response is attached.

Bank Deposits Not Made Intact

During our audit of Grambling State University for the year ended June 30, 1995, we identified and reported a finding relating to the Bureau Department not making deposits intact that resulted in missing funds. We expanded our procedures during our financial related audit covering the same time frame and found that the practice of not depositing funds intact was pervasive throughout the fiscal year. Sound internal controls require that all funds collected be deposited intact on a daily basis. The Grambling State University Bureau Department lists daily collections on Pay-in-Visitor (PIV) Cash Listings that detail the composition of the receipts to reflect the individual checks and cash received from each transaction. The daily deposits should reflect the total amount of checks and cash collected according to the PIV Cash Listings.

Because of the situation noted during our financial audit, we chose to examine 300 PIV Cash Listing totals and the related deposit tickets processed by the Bureau for two three-month periods that included July, August, and September 1994 and April, May, and June 1995. Those time frames provided us with a good variety of activity within the Bureau Department that included both peak and slow periods.

Our examination consisted of comparing the total of cash and checks shown on the cash listings to the total cash and checks included in the corresponding bank deposits. This comparison revealed that 100 of the 300 cash listings and bank deposits had the same composition. The remaining 200 bank deposits did not reflect the makeup of the related cash listings, with the cash listing either containing more checks or more cash than was actually deposited. The total net difference relating to the 200 cash listings was approximately \$19,800 more in checks deposited

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than collected. Conversely, there was an equal amount of cash collected that did not get deposited.

In an effort to gain an understanding of the condition noted in the previous paragraph, we selected 49 deposits with variances between the deposit and roll listing totals, by cash or checks. We obtained microfiche copies of the detail of these deposits from the bank and compared these to the detailed composition of the roll listings to determine if the specific items received were actually deposited on a daily basis. The results of our procedures revealed that four of the individual deposits in question were received as clerical errors. The remaining 45 bank deposits contained either more checks or more cash than were listed in the university's roll listings for that day; however, the deposits balanced in total. This situation indicates that cash and checks of \$5,542 were misapplied.

Included in the \$5,542, we noted 12 occurrences of misappropriation of funds resulting from two methods of removing cash from daily deposits. In two occurrences, students sustained losses of \$1,208 (\$180 each) when employees in the Bursar Department failed to properly credit the students' accounts for amounts presented and gave incorrect change to the students. These occurrences involved financial aid checks, where the amount in funds actually due to the university plus the excess given to the student for books and other expenses was checked by \$180. In the other two occurrences, the university sustained losses totaling \$482 when employees of the Bursar Department failed to properly credit university revenue accounts for amounts received. In all occurrences, the checks were deposited, and a like amount of cash removed from the deposit, keeping the deposit in balance.

We noted that various sets of cashiers' initials appeared on these transactions. We were also informed by management and the employees that access to each cashier's drawer was not limited to only that cashier. We could not, with any certainty, determine who was responsible for the manipulation of cash and checks. After June 30, 1985, key employees resigned their positions in the Bursar Department. Because the university did not establish adequate controls over deposit transactions and has allowed the substitution of checks for cash, there is an increased risk that errors or irregularities that could result in a loss of university funds could occur and not be detected.

The university should contact the District Attorney for the Third Judicial District and review this information to determine the appropriate action to be taken regarding these deposit manipulations. Management's response is attached.

Attachment I
Management's Response



Grambling State University

OFFICE OF THE PRESIDENT
Grambling, Louisiana 71243

P.O. BOX 6000

March 25, 1996

225/774-2771
FAX: 225/774-2289

Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94200
Baton Rouge, LA 70804-0200

Dear Dr. Kyle:

In response to findings and a recommendation resulting from a special examination of transactions in the Bazaar's Office, I submit the following:

First, I extend to you and your staff our sincere gratitude and appreciation for the prompt and professional manner in which the examination was conducted.

Secondly, it is our goal to strengthen and continuously reinforce internal controls so as to prevent violation of State laws and University policies. Should violations occur, we will have adequate internal controls to quickly detect irregularities which will facilitate prompt disciplinary and corrective actions.

Internal controls within the Bazaar's Office have been strengthened and we have complied with the recommendation.

Sincerely,

Raymond W. Hicks
President

cc: Billig

- o Dr. James Corlier
- o Mr. Howard J. Craig
- o Mr. Charles Hill