

LOUISIANA STATE UNIVERSITY  
AND RELATED CAMPUSES  
LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA



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MANAGEMENT LETTER  
ISSUED MARCH 2, 2005

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**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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January 11, 2005

**LOUISIANA STATE UNIVERSITY BOARD OF SUPERVISORS,  
LOUISIANA STATE UNIVERSITY,  
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AND LOUISIANA STATE UNIVERSITY AT EUNICE  
LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

As part of our audit of the Louisiana State University System's financial statements for the year ended June 30, 2004, we considered the internal control over financial reporting for the LSU Board of Supervisors, LSU and A&M College (LSU), LSU Agricultural Center, Pennington Biomedical Research Center, Paul M. Hebert Law Center, LSU at Alexandria, and LSU at Eunice (hereafter referred to as LSU and Related Campuses); we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested LSU and Related campuses' compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered LSU and Related Campuses' internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested LSU and Related campuses' compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The financial information provided to the Louisiana State University System by LSU and Related campuses is not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. LSU and Related Campuses' accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior audit report on LSU and Related Campuses for the year ended June 30, 2003, we reported a finding relating to noncompliance with established internal controls over time and attendance certifications. That finding has been resolved by management.

## LEGISLATIVE AUDITOR

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Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration.

#### **Weaknesses in Controls Over Petty Cash**

Louisiana State University and A&M College (LSU) did not establish policies and procedures in the athletic department ticket office to ensure proper accounting for petty cash funds. Good internal control requires that policies and procedures identify errors in petty cash funds timely and ensure accountability by individuals handling cash. The ticket office experienced a petty cash shortage totaling \$7,733. LSU was unable to determine the time period during which the shortage occurred or its cause as a result of the following weaknesses in controls over petty cash:

- Identified overages and shortages in ticket sellers' cash tills were not recorded in the accounting records, and ticket sellers were not, therefore, held accountable for errors in their tills.
- We counted the athletic department's petty cash on August 9, 2004. From August 16, 2002, through July 19, 2004, the ticket office received \$14,000 in petty cash advances. However, the office did not have procedures in place to reconcile these advances and ensure their timely return to the bursar's office.

LSU should establish controls in the ticket office to identify petty cash overages or shortages timely. In addition, procedures should ensure that the causes of any overages and shortages are identified and individuals handling cash are accountable for their activities. Management of the university concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the university. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the university should be considered in reaching decisions on courses of action.

**LEGISLATIVE AUDITOR**

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This letter is intended for the information and use of the university and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a circular stamp or seal.

Steve J. Theriot, CPA  
Legislative Auditor

CGEW:ES:PEP:dl

LSU&R04

## Appendix A

### Management's Corrective Action Plan and Response to the Finding and Recommendation



LOUISIANA STATE UNIVERSITY  
AND AGRICULTURAL AND MECHANICAL COLLEGE

Office of the Vice Chancellor for Finance and Administrative Services and Comptroller

December 6, 2004

Charles Wendt, CPA  
Office of the Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Wendt,

In conjunction with the legislative audit of LSU for the fiscal year ended June 30, 2004, we wish to respond to your audit finding regarding proper accounting for petty cash funds in the Athletic Department.

We concur with the finding. We first became aware in March, 2004 that there were insufficient controls in place to assure that the Athletic petty cash funds were isolated and maintained separately from other funds. Based on the review performed by the University's internal auditor, we believe that the petty cash funds were mixed and deposited with revenue, and we found no evidence of misappropriation of funds. The following steps have been taken to address this matter and to improve the controls over petty cash in the Athletic Department:

- The University formally notified the legislative auditors of the petty cash shortage, in accordance with R.S. 24, section 523.
- New procedures have been implemented to assure the petty cash is kept separate from all other funds.
- A vault teller has been hired to monitor the petty cash and the cash drawers that they fund.
- The amount of petty cash kept in the Athletic Ticket Office has been reduced.
- The procedure of providing advances against revenues has been eliminated.
- We now increase or decrease petty cash on hand as needed for cash changes.

We believe the proper procedures are now in place to timely identify any petty cash overages or shortages that occur. These procedures should identify the causes of any overage or shortage, and should also ensure that the individuals handling the cash are held accountable for their activities.

Please let me know if anything further is needed.

Sincerely,

Jerry J. Baudin

Vice Chancellor for Finance and Administrative Services  
and Comptroller

xc: Interim Chancellor William Jenkins