

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 26, 2014

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 26, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Dr. Cynthia Warrick, Interim President
Grambling State University,
University of Louisiana System

Dear Senator Alario, Representative Kleckley, and Dr. Warrick:

This report includes the results of the procedures we performed at Grambling State University (University) for the period from July 1, 2013 through June 30, 2014 to evaluate its accountability over public funds. The procedures are a part of our audit of the University of Louisiana System's financial statements and the Single Audit of the State of Louisiana for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the University for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KWB:BAC:BDC:THC:aa

GSU 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Grambling State University

November 2014



Audit Control # 80140049

Introduction

As a part of our audit of the University of Louisiana System's (System) financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014, we performed procedures at Grambling State University (University) to provide assurances on financial information that is significant to the System's financial statements; to evaluate the effectiveness of the University's internal controls over financial reporting and compliance; and to determine whether the University complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

The University is a part of the System and reported an enrollment of more than 5,071 students for the fall 2013 semester. Its mission is to provide exceptional customer service to students, colleagues and community; develop ongoing professional developmental training to employees to improve customer service; and provide opportunities to share experiences and spotlight individuals and departments for outstanding service.

Results of Our Procedures

Follow-Up on Prior-Year Finding

Our auditors reviewed the status of the prior-year finding reported in a management letter dated December 4, 2013. We determined that management has resolved the prior-year finding related to the return of federal Title IV funds.

Current-Year Finding

Property Thefts

The University identified thefts totaling more than \$130,000, including plumbing units, air conditioners, and hot water heaters taken from the football stadium, campus buildings, and vacant housing facilities. One maintenance employee was arrested and subsequently confessed to a portion of these thefts, totaling approximately \$80,000.

Good control over property generally includes restricting access and assigning responsibility for individual property items. However, in these thefts, one or more maintenance employees, who had unrestricted access to buildings as part of their job duties, were able to remove installed fixtures and equipment. The University will likely have to replace some of these items using public funds.

To mitigate its risk of loss, the University should consider the cost effectiveness of limiting key access, installing electronic card readers, installing security cameras, and increasing police patrols. We further recommend that the University consider removing and securing equipment and fixtures from vacant facilities. Management concurred with the finding and recommendations and outlined a plan of corrective action.

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2014, we considered the University's internal controls over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Statement of Net Position

Assets - Investments, due from state treasury, and capital assets

Liabilities - Unearned revenues and bonds payable

Net Position - Net Investment in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student tuition and fees, scholarship allowances, other operating revenues, state appropriations, and federal non-operating revenues

Expenses - Educational and general, other operating expenses, and interest expenses

Our audit included tests of the University's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we reported a finding regarding property thefts. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2014, we performed internal control and compliance testing on the University's Student Financial Assistance Cluster of federal programs, as required by the Office of Management and Budget Circular A-133. Those tests included

evaluating the effectiveness of the University's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether the University complied with applicable program requirements.

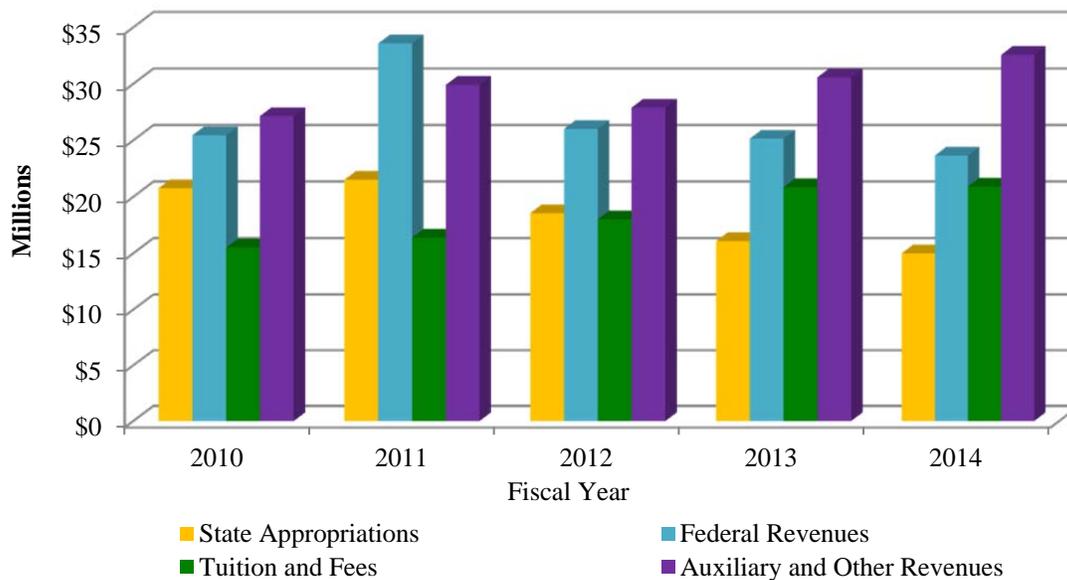
Based on the results of these Single Audit procedures, we did not report any internal control deficiencies or non-compliance with program requirements.

Trend Analysis

We compared the most current- and prior-year financial activity using the University's annual fiscal reports and/or system-generated reports and obtained explanations from University management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five years.

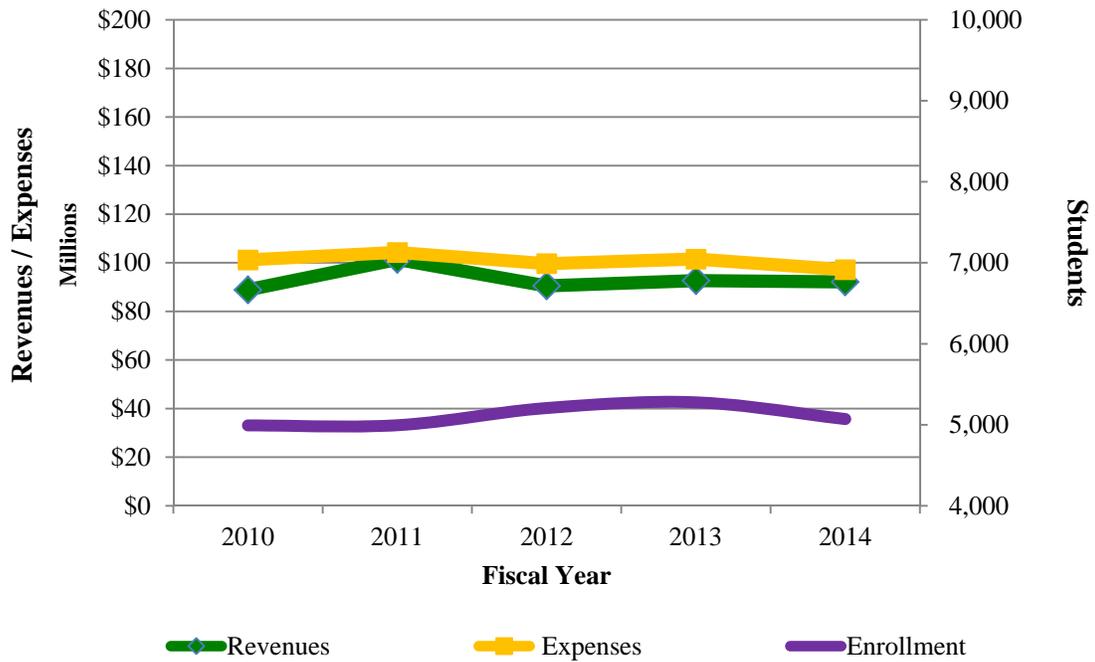
Based on a five-year analysis, total expenses have exceeded total revenues for each period. The decline in state appropriations has been offset by an increase in tuition and fees, and the spike in federal revenues in 2011 is attributable to one-time American Recovery and Reinvestment Act funding. The increase in auxiliary and other revenues is due to significant improvement in the stock market as it relates to the stocks held by the University.

Exhibit 1
Five-Year Revenue Trend



Source: Fiscal year 2010-2014 Grambling State University Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal years 2010-2014 Grambling State University Annual Fiscal Reports, as adjusted, and Board of Regents website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the University. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the University should be considered in reaching decisions on courses of action.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: MANAGEMENT'S RESPONSE



2014 OCT 23 AM 7:58

Office of the President

October 16, 2014

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Grambling State University (GSU) concurs with the finding of the Legislative Auditor related to Property Thefts. We acknowledge that internal controls were weak regarding the university's vacant properties and after-hours building security. The corrective actions taken to remediate these concerns are as follows:

- GSU recently hired a new Risk Manager, Mr. James Austin, who is the retired chief of the Ruston Fire Department. Mr. Austin has over 30 years of experience and training. Among his duties, he is charged with the monthly process of inspecting all university buildings to ensure they are safe and property is intact. Mr. Austin will perform these duties in conjunction with the university's Office of Property and Receiving.
- In March 2014, the University Key Control Policy and Procedures were revised to incorporate better controls, stiffer fines for key replacements, limited key access, and a reduction in the number of employees assigned a Grand Master Key.
- We will rekey all vacant buildings to one central key which will be housed in Facilities. A checkout procedure will be developed and implemented to consistently track the key's use. This key will not be on the standard Grand Master Key code.
- Where possible, the Director of Property and Receiving will remove all movable property from unused buildings and store it in the university's secured warehouse.
- GSU hired an Interim Police Chief/Investigator with over 20 years of law enforcement and SWAT experience. There is a coordinated effort between Chief Howard Caviness and the Risk Manager regarding 24-hour building security, patrols and overall safety.

All actions should be completed by December 31, 2014. Should you have questions, please call me at (318) 274-6117, or Mr. Eric Eaton, Special Assistant to the President, at (318) 274-2487.

Sincerely,

Cynthia Warrick, Ph.D.
Interim President

CW:jj

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Grambling State University (University) for the period from July 1, 2013 through June 30, 2014, to provide assurances on financial information significant to the University of Louisiana System (System) and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014.

- We evaluated the University's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the University.
- Based on the documentation of the University's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain University account balances and classes of transactions to support the opinion on the System financial statements.
- We performed planned procedures on the Student Financial Assistance cluster of federal programs for the year ended June 30, 2014, to support the 2014 Single Audit.
- We compared the most current- and prior-year financial activity using the University's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from University management for significant variances.

The purpose of this report is solely to describe the scope of our work at the University and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review the University's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. The University's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.