

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED JANUARY 18, 2012

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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 and at the office of the parish clerk of court.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Two copies of this public document were produced at an approximate cost of \$8.02. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.gov. When contacting the office, you may refer to Agency ID No. 3394 or Report ID No. 80110032 for additional information.

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EXECUTIVE SUMMARY

Our procedures at Grambling State University (university) for the period July 1, 2010, through June 30, 2011, disclosed the following:

- For the seventh consecutive year, the university was unable to locate significant numbers of movable property items totaling \$1,614,191 or 6.7% of its \$24 million movable property inventory. In addition, the university currently has \$873,227 in items that have been unlocated for two consecutive years and will be written off in 2012 unless those items are located before the next property certification.
- The university was assessed and paid \$15,982 in penalties and \$355 in interest to the Internal Revenue Service (IRS) for failing to properly classify its employees, file the required tax forms, and deposit its payroll taxes by the required due dates in accordance with IRS rules and regulations. In addition, the university did not dispute the payment of \$69,973 in payroll taxes, some of which may have been assessed in error.
- Other than the findings previously noted, no significant control deficiencies, errors, or noncompliance were identified in our procedures on various account balances and classes of transactions that would require reporting under *Government Auditing Standards*.

This report is a public report and has been distributed to appropriate state officials. We appreciate the university's assistance in the successful completion of our work.

Mission

The mission of the university is to be a distinguished institution that produces accomplished graduates sought by global employers and top-tier graduate and professional schools, particularly in the fields of science, engineering, technology, mathematics, business, nursing, mass communication, and teacher education.

The university is a publicly supported institution of higher education, a campus within the University of Louisiana System.

The university is governed by the University of Louisiana System and nationally accredited by the Southern Association of Colleges and Schools.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 15, 2011

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

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the University of Louisiana System's (System) financial statements for the fiscal year ended June 30, 2011, we conducted certain procedures at Grambling State University (university) for the period from July 1, 2010, through June 30, 2011.

- Our auditors obtained and documented an understanding of 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.
- Our auditors performed analytical procedures consisting of a comparison of 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 of any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year audit. The findings identified in our prior management letter on the university, dated April 11, 2011, relating to inaccurate annual fiscal report, unsecured deposits and cash control weaknesses, unsigned contracts, and inadequate collection efforts of accounts receivables have been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting the university's account balances and classes of transactions as follows:

Statement of Net Assets - Cash and cash equivalents, investments, receivables, capital assets, accounts payable and accrued liabilities, compensated absences payable, bonds payable, other postemployment benefits payable, net assets invested in capital assets net of related debt, and unrestricted net assets

Statement of Revenues, Expenses, and Changes in Net Assets - Student tuition and fees, grants and contracts revenues, auxiliary enterprise revenues, other operating revenues, state appropriations, federal nonoperating revenues, education and general expenses, auxiliary enterprise expenses, and interest expense

- We also tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2011, in accordance with *Government Auditing Standards*.

The Annual Fiscal Report of the university was not audited or reviewed by us, 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 an opinion.

Based on the application of the procedures referred to previously, we have included two significant findings that are required to be reported by *Government Auditing Standards*. Other than the findings noted below, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures that should be communicated to management.

Unlocated Movable Property

For the seventh consecutive year, the university was unable to locate significant numbers of movable property items, including items totaling \$1,614,191, or 6.7% of its total \$24 million movable property inventory. The results of the university's inventory certifications for the past five years, including those items that have been written off after remaining unlocated for three consecutive years, are as follows:

<u>Year</u>	<u>Unlocated</u>	<u>Written Off</u>
2011	\$1,614,191	\$64,782
2010	1,428,497	210,113
2009	2,053,857	87,397
2008	559,141	
2007	752,058	<u>203,052</u>
Total		<u><u>\$565,344</u></u>

In addition, the university currently has \$873,227 in items that have been unlocated for two consecutive years and will be written off in 2012 unless those items are located before the next certification.

The university's failure to adequately address missing and/or stolen property has resulted in the university having to use public funds to replace essential items. We strongly encourage the university to use every resource to locate missing items, to identify and report stolen items timely to the appropriate authorities, and to hold employees responsible for missing items assigned to them, in accordance with university policy. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

Internal Revenue Service Penalties and Interest

The university was assessed and paid \$15,982 in penalties and \$355 in interest to the Internal Revenue Service (IRS) for failing to properly classify its employees, file the required tax forms, and deposit its payroll taxes by the required due dates in accordance with IRS rules and regulations. In addition, the university did not dispute the payment of \$69,973 in payroll taxes, some of which may have been assessed in error. These mistakes occurred because the university experienced a turnover of its payroll supervisor and misinterpreted certain IRS rules and regulations, resulting in an unnecessary expenditure of state funds.

The university should better train its employees to avoid similar situations in the future. The university should also attempt to recover or obtain credit for any overpayment of taxes, interest, and penalties. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 3).

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. These findings, which relate to the university's compliance with applicable laws and regulations, should be addressed immediately by management.

This letter is intended for the information and use of the university and its management, others within the university, the System, and the Louisiana Legislature 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

PGH:BAC:BDC:THC:dl

Appendix A

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



Office of the President

December 13, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: Unlocated Movable Property

Grambling State University concurs that we were unable to locate significant numbers of movable property items during our most recent inventory. The university has taken the following measures to address this matter:

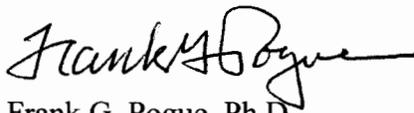
- An experienced Property Control Manager was hired in September, 2011 who has over 30 years of property experience, including 23 years with this university. During her time here, the university did not experience the problems identified in this finding.
- The university instituted a financial restitution policy, "*Responsibility for Safeguarding and Accounting for Movable Assets*" which was developed from Louisiana Attorney General Opinion 10-0078.
- The university revised its Movable Assets Policy in October 2010 to include prompt reporting of suspected thefts to the university police, who in turn will notify the Internal Audit and Property Departments for prompt reporting in accordance with Louisiana Property Assistance Agency (LPAA) rules and regulations and state law.
- Additional training has been, and will continue to be, provided for both the property staff and the individual departmental inventory specialists to ensure that property is controlled in accordance with Louisiana Property Assistance Agency (LPAA) regulations.
- The Property Department launched a campus-wide cleanup of inoperable and obsolete equipment in November, 2011 and, to date, has identified approximately 100 items valued in excess of \$100,000 which had been reported as unlocated from 2009-2011. In accordance with LPAA regulations, procedures have been followed to reactivate or transfer those items to state surplus, thereby reducing our unlocated property amount.
- Property Control staff will perform random departmental audits to determine if equipment is missing beginning January, 2012.
- The Office of Internal Audit will incorporate property verification steps in each audit conducted throughout the fiscal year as an added review of movable property.

Mr. Daryl G. Purpera, CPA, CFE
December 13, 2011
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Ms. Johnnie Williams, Property Control Manager, is responsible for oversight of the corrective action plan noted above.

If you have any questions, please call me directly or my primary point of contact, Mr. Leon Sanders, Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

A handwritten signature in cursive script that reads "Frank G. Pogue". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Frank G. Pogue, Ph.D.
President

FGP:jj



Office of the President

December 6, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: IRS Penalties and Interest

Grambling State University concurs that penalties and interest were assessed and paid to the Internal Revenue Service (IRS), and that payroll taxes identified by the IRS audit staff were not disputed beyond the audit staff. These issues related to tax years 2008 and 2010, and the university has taken the following measures to correct these matters:

- An experienced payroll manager was hired in August, 2010 and an IRS sponsored webinar has been provided for training relating to timely deposit of payroll taxes.
- Additional training has been scheduled for both the Payroll and Disbursements staff which will ensure that employees and vendors are properly classified, and IRS Forms 1099 provided to all vendors in accordance with IRS regulations.
- The university will aggressively seek to recover and obtain credit for any overpayment of taxes, interest and penalties through communication with the IRS.

Mr. Raymond Abraham, Controller, is responsible for oversight of the corrective action plan noted above.

If you have any questions, please call me directly or my primary point of contact, Mr. Leon Sanders, Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Frank G. Pogue, Ph.D.
President

FGP:jj