

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 20, 2017

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., 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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.30. 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 website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3394 or Report ID No. 80170099 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Grambling State University



December 2017

Audit Control # 80170099

Introduction

As a part of our audit of the University of Louisiana System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2017, we performed procedures at Grambling State University (University) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of the University's internal controls over financial reporting and compliance; and 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 4,891 students for the Fall 2016 semester. The University's 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 the University's management letter dated December 12, 2016. We determined that management has resolved the prior-year finding related to Untimely Determination of Students' Withdrawal Dates.

Current-year Finding

Inaccurate Annual Fiscal Report

The University failed to prepare an accurate Annual Fiscal Report (AFR), resulting in inaccurate financial information being submitted to the System for fiscal year (FY) 2017. In addition, the AFR was submitted to the System six weeks late. Examples of errors identified in the AFR that required adjustment are noted below:

Statement of Net Position

- Accounts payable and accrued liabilities were understated, and unrestricted net position was overstated by approximately \$1.2 million.
- Net position was misclassified, resulting in an overstatement of restricted expendable net position and understatement of net investment in capital assets by \$14.3 million.

Statement of Revenues, Expenses, and Changes in Net Position

- Auxiliary enterprise revenues were overstated by approximately \$3.2 million.
- Auxiliary enterprise expenses were overstated by approximately \$2 million.
- Net tuition and fees revenues and scholarship and fellowship expenses were understated by approximately \$1.2 million.

Statement of Cash Flows

- Cash and cash equivalents at beginning of the year was overstated by approximately \$14.2 million.
- Net cash used by operating activities was understated by approximately \$6.3 million.
- Net cash used by capital financing activities was overstated by \$6.3 million.
- Net cash provided by investing activities was understated by \$14.2 million.

These errors resulted from the lack of an independent review of the AFR and supporting schedules by the University prior to the submission of the AFR to the System. Good internal controls should include timely and thorough review by a knowledgeable person of the financial information included in the AFR and ensure timely submission of the AFR to the System.

Management should ensure timely and accurate information is submitted to the System, provide additional accounting training, and assign a knowledgeable person to review the AFR before submission to the System. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Financial Statements – University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2017, we considered the University's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Cash and Cash Equivalents, Investments, Due from State Treasury, Capital Assets, and Deferred Amounts on Debt Refunding

Liabilities - 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, Auxiliary Revenues, State Appropriations, Federal Nonoperating Revenues

Expenses - Educational and General, and Auxiliary Enterprises

Based on the results of these procedures on the financial statements, we reported a finding related to an Inaccurate Annual Fiscal Report, as described previously. 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, 2017, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on the University's major federal program, as follows:

- Student Financial Assistance Cluster

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. In addition, we performed procedures on information submitted by the University to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year finding for the preparation of the State's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we did not report any internal control deficiencies or noncompliance with program requirements. In addition, the University's

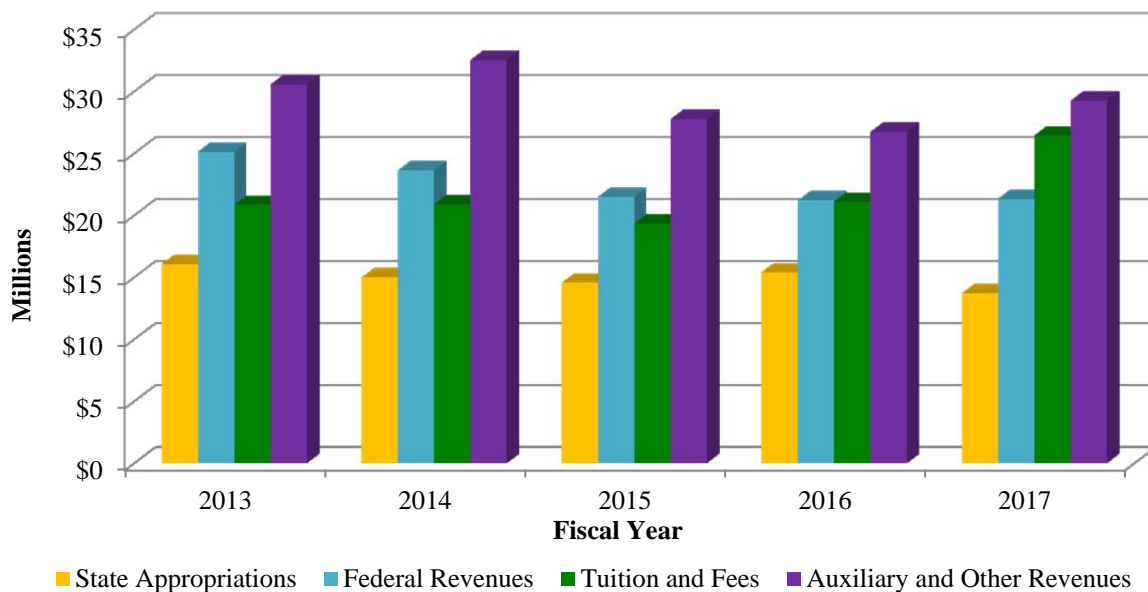
information submitted for the preparation of the State's SEFA and the State's Summary Schedule of Prior Audit Findings is materially correct.

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's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

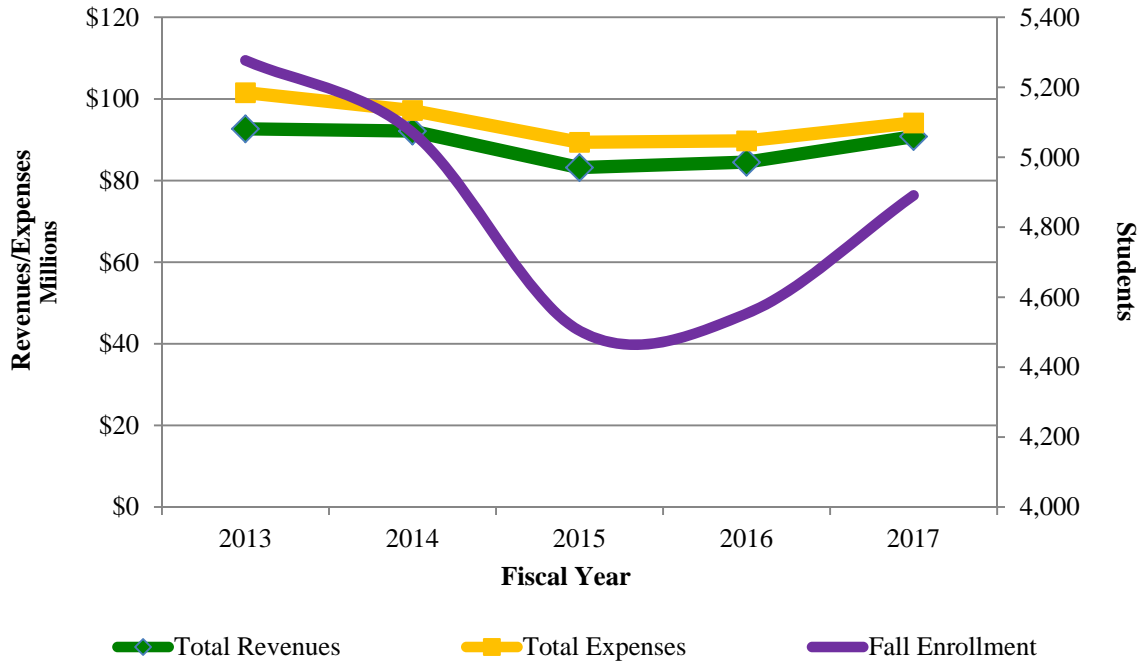
In analyzing the financial trends of the University over the past five fiscal years, expenses have consistently exceeded revenues; however, expenses were more in line with revenues in FY 2017. Since FY 2013, State appropriations declined by 14.7%, which has been partially offset by increases in tuition and fees, and auxiliary and other revenues. The significant decrease in enrollment in fiscal year FY 2015 was due to changes in the admission standards and the nursing program. However, as a result of enhanced recruiting efforts, enrollment has since steadily increased. In addition, auxiliary and other revenues continue to fluctuate based on athletic season results and the decreases and increases in net investment income from stock market changes.

Exhibit 1
Five-Year Revenue Trend



Source: Fiscal years 2013-2017 Grambling State University's Annual Fiscal Reports, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal years 2013-2017 Grambling State University Annual Fiscal Reports, as adjusted, and Board of Regents website Data/Publication

Other Reports

The Legislative Auditor’s Investigative Audit Services issued a report on October 25, 2017, identifying problems with the University’s Tiger1 Card and Blackboard system. The problem areas included funds improperly posted to student accounts; Tiger1 student accounts not reconciled; system controls circumvented by former University cashiers; advances of financial aid to students using public funds; “ARAMARK” provided free meals to select University employees; and failure to act on improper purchase with false student identification card.

The full investigative report is available in the Audit Report Library on the Legislative Auditor’s website at www.lla.la.gov.

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of the University. The nature of the recommendation, its implementation costs, and its 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.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KWB:BAC:BH:EFS:aa

GSU 2017

APPENDIX A: MANAGEMENT'S RESPONSE



Office of the President

December 12, 2017

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: Inaccurate Annual Fiscal Report

During fiscal year 2017, Grambling State University assumed responsibility for the housing portion of the Black and Gold Facilities Corporation. This included refinancing the housing debt and transferring all related assets and liabilities. As a result, several adjustments were required for this non-recurring event. Throughout the process, the University encountered a number of delays in preparing and receiving the Black and Gold Facilities Corporation audit report for inclusion with the University's financials.

The University concurs with the finding and notes that the errors identified in the Annual Fiscal Report (AFR) are primarily a result of the non-recurring event. The University's corrective action plan to ensure that these errors will not occur again is detailed below:

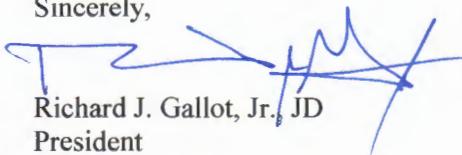
- Year-end close schedules and procedures will be enhanced to ensure timely preparation of future Black and Gold Facilities Corporation audit reports and the University's AFR.
- A schedule will be prepared for the calculation of Net Investment in Capital Assets and we will add an extra level of technical and analytical review.

The corrective action plan identified will allow sufficient time for inclusion of financial information from all entities and provide a sufficient period of review prior to submission to the University of Louisiana System.

Ms. Sheilah Faucette, Associate Vice President for Finance and Administration, is responsible for oversight of the corrective action plan noted above.

If you have any questions, please contact me or Mr. Martin Lemelle, Chief Operating Officer, at 318-274-6406.

Sincerely,



Richard J. Gallot, Jr., JD
President

RJG:jj

P.O. Drawer 607 • 403 Main • Grambling, LA 71245 • Office: (318) 274-6117 • Fax: (318) 274-6172 • www.gram.edu

A Constituent Member of the University of Louisiana System • Accredited by the Southern Association of Colleges and Schools
An Equal Opportunity Employer and Educator • Facilities Accessible to the Disabled

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Grambling State University (University) for the period from July 1, 2016, through June 30, 2017, 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* issued by the Comptroller General of the United States. 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's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2017.

- 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 account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the Student Financial Assistance Cluster for the year ended June 30, 2017, as a part of the 2017 Single Audit.
- We performed procedures on information for the preparation of the State's Schedule of Expenditures of Federal Awards and on the status of the prior-year finding for the preparation of the State's Summary Schedule of Prior Audit Findings for the year ended June 30, 2017, as a part of the 2017 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 the University's 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.