GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2008
ISSUED JUNE 24, 2009

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

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 6, 2009

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the business-type activities of Grambling State University (University), a campus within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the University's financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Black and Gold Facilities, Inc., which is a nonprofit corporation included as a blended component unit in the basic financial statements representing 51.1 percent, .3 percent, and 7.3 percent, respectively, of the assets, net assets, and revenues of the University. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely upon the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Black and Gold Facilities, Inc., which were audited by other auditors upon whose report we are relying, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

As discussed in note 1-B, the accompanying financial statements of the University are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the University of Louisiana System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the University of Louisiana System as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditor, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the University as of June 30, 2008, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While the University did not directly suffer any major effects of these two hurricanes, the University of Louisiana System lost significant assets and operational functionality. However, the long-term effects of these events directly on the University cannot be determined at this time.

As discussed in note 1-N to the basic financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2009, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Grambling State University has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Required Supplementary Information Schedule of Funding Progress for the Other Postemployment Benefits Plan on page 33 is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the schedule and express no opinion on it.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

RLA:WJR:BQD:THC:dl

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GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Net Assets, June 30, 2008

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$7,821,458
Investments (note 3)	22,452,349
Receivables, net (note 4)	5,920,431
Due from state treasury (note 16)	1,120,000
Inventories	272,288
Deferred charges and prepaid expenses	136,287
Total current assets	37,722,813
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (note 2)	2,540,912
Investments (note 3)	21,343,152
Receivables, net (note 4)	504
Notes receivable, net (note 5)	1,660
Capital assets, net (note 6)	156,031,716
Other noncurrent assets	5,436,143
Total noncurrent assets	185,354,087
Total assets	223,076,900
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities (note 7)	7,974,765
Deferred revenues (note 8)	1,077,740
Compensated absences payable (notes 12 and 14)	742,804
Amounts held in custody for others	574,099
Notes payable (notes 14 and 15)	144,712
Bonds payable (notes 14 and 15)	75,000
Other current liabilities	2,726,207
Total current liabilities	13,315,327

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Net Assets, June 30, 2008

Noncurrent liabilities:	
Compensated absences payable (notes 12 and 14)	$3,046,400
Notes payable (notes 14 and 15)	2,077,596
Bonds payable (notes 14 and 15)	107,364,890
Other postemployment benefits payable (notes 9 and 14)	7,803,612
Other noncurrent liabilities	1,116
Total noncurrent liabilities	120,293,614
Total liabilities	133,608,941
NET ASSETS	
Invested in capital assets, net of related debt	78,181,231
Restricted for:	
Nonexpendable (note 17)	6,310,542
Expendable (note 17)	10,251,188
Unrestricted	(5,275,002)
Total Net Assets	$89,467,959

(Concluded)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $10,652,724)	$16,107,300
Federal grants and contracts	18,821,336
State and local grants and contracts	3,316,017
Nongovernmental grants and contracts	254,904
Sales and services of educational departments	355,928
Auxiliary enterprise revenues (net of scholarship allowances of $926,519)	14,817,022
Other operating revenues	7,144,544
Total operating revenues	60,817,051
OPERATING EXPENSES	
Education and general:	
Instruction	28,896,202
Research	226,967
Public service	85,445
Academic support	9,743,531
Student services	7,162,836
Institutional support	15,207,081
Operations and maintenance of plant	10,042,416
Depreciation	4,524,413
Scholarships and fellowships	8,381,585
Auxiliary enterprises	17,464,456
Other operating expenses	1,859,008
Total operating expenses	103,593,940
OPERATING LOSS	(42,776,889)
NONOPERATING REVENUES (Expenses)	
State appropriations	31,679,845
Gifts	794,035
Net investment income	251,475
Interest expense	(4,729,250)
Net nonoperating revenues	27,996,105

(Continued)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets, 2008

LOSS BEFORE OTHER REVENUES	($14,780,784)
Capital appropriations	6,466,835
Additions to permanent endowments	1,095,419
DECREASE IN NET ASSETS	(7,218,530)
NET ASSETS - BEGINNING OF YEAR	96,686,489
NET ASSETS - END OF YEAR	$89,467,959

(Concluded)

The accompanying notes are an integral part of this statement.

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$27,868,026
Grants and contracts	21,197,213
Sales and services of educational departments	(13,850)
Auxiliary enterprise receipts	14,062,896
Payments for employee compensation	(41,308,627)
Payments for benefits	(11,307,843)
Payments for utilities	(2,774,640)
Payments for supplies and services	(29,984,451)
Payments for scholarships and fellowships	(19,960,829)
Other receipts	5,477,717
Net cash used by operating activities	(36,744,388)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	31,339,845
Gifts and grants for other than capital purposes	794,034
Private gifts and grants for endowment purposes	1,095,419
TOPS receipts	501,025
TOPS disbursements	(501,025)
Federal Family Educational Loan program receipts	32,807,333
Federal Family Educational Loan program disbursements	(32,807,333)
Net cash provided by noncapital financing sources	33,229,298
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from capital debt	41,772,325
Capital appropriations received	6,466,835
Purchase of capital assets	(38,251,696)
Principal paid on capital debt and leases	(296,055)
Interest paid on capital debt and leases	(4,729,250)
Other payments	(194,826)
Net cash provided by capital financing activities	4,767,333

(Continued)

The accompanying notes are an integral part of this statement.

Statement C

GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Statement of Cash Flows, 2008

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	$54,141,576
Interest received on investments	251,474
Purchase of investments	(60,587,317)
Net cash used by investing activities	(6,194,267)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,942,024)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,304,394
CASH AND CASH EQUIVALENTS AT END OF YEAR	$10,362,370
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	($42,776,889)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	4,524,413
Changes in assets and liabilities:	
(Increase) in accounts receivable, net	(1,892,192)
(Increase) in inventories	(7,665)
(Increase) in deferred charges and prepaid expenses	(96,303)
Decrease in notes receivable	2,983
(Increase) in other assets	(1,934,238)
(Decrease) in accounts payable and accrued liabilities	(4,024,724)
(Decrease) in deferred revenue	(106,893)
(Decrease) in amounts held in custody for others	(338,987)
Increase in compensated absences	549,332
Increase in other liabilities	1,553,163
Increase in other postemployment benefits payable	7,803,612
Net cash used by operating activities	($36,744,388)

(Concluded)

The accompanying notes are an integral part of this statement.

INTRODUCTION

Grambling State University is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the University of Louisiana System Board of Supervisors; however, the annual budget of the university and changes to the degree programs, department of instruction, et cetera, require the approval of the Board of Regents for Higher Education. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

Grambling State University is located in Grambling, Louisiana, and serves as a cultural and educational center for north Louisiana. The university offers associate, baccalaureate, and selected masters and specialist degrees in the areas of liberal arts, education, business administration, the sciences and science-related technologies, nursing, and social work. Enrollment at the university was 2,320; 5,161; and 4,951, respectively, during the summer, fall, and spring semesters of fiscal year 2008. At June 30, 2008, the university has approximately 756 full-time faculty and staff members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Grambling State University is part of the University of Louisiana System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the universities within the system primarily serve state residents. The accompanying financial statements present information only as to the transactions of the programs of Grambling State University as authorized by Louisiana statutes and administrative regulations.

Annually, the State of Louisiana issues a comprehensive annual financial report (CAFR), which includes the activity contained in the accompanying financial statements within the University of Louisiana System amounts. The Louisiana Legislative Auditor audits the basic financial statements of the University of Louisiana System and the state's CAFR.

Blended Component Unit

Black and Gold Facilities, Inc., is a Louisiana nonprofit corporation and is considered a blended component unit of the university. The component unit is included in the reporting entity because it is fiscally dependent on the university. The purpose of this organization is to promote, assist, and benefit the mission of the university through the acquisition, construction, development, management, leasing or otherwise assisting in the acquisition, construction, development, management or leasing of student housing or other facilities on behalf of the university. Although this facility corporation is legally separate, it is reported as a part of the university because the majority of its revenue will come from the leasing of facilities to the university. To obtain the corporation's latest audit report, write to:

Black and Gold Facilities, Inc.
c/o Mr. Leon Sanders
Grambling State University
P.O. Box 4287
Grambling, Louisiana 71245

This blended component unit is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria, presentation, and disclosure requirements are different from GASB revenue recognition criteria and presentation features. With the exception of presentation adjustments, no modifications have been made to this component unit's financial information in Grambling State University's report for these differences.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities. All activities of the university are accounted for in a single proprietary (enterprise) fund. Accordingly, the university's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-university transactions have been eliminated.

The university has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university has elected to not apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated, but are recognized in the succeeding year; and (4) certain inventories are recorded as expenditures at the time of purchase.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand (petty cash), demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in certificates of deposits and all highly liquid investments with a maturity of three months or less when purchased. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the university may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all non-negotiable certificates of deposit, regardless of maturity.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the university is authorized to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift or endowment instrument or bond indenture. The majority of these investments are U.S. government agency obligations and are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains or losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets. For purposes of the Statement of Cash Flows, the university considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVENTORIES

Inventories are valued at the lower of cost or market on the weighted-average basis. The university uses periodic and perpetual inventory systems and accounts for its inventories using the consumption method.

G. NONCURRENT RESTRICTED ASSETS

Cash and cash equivalents, investments, receivables, and notes receivables that are externally or legally restricted for grants, endowments, notes, debt service payments, maintenance of reserve funds or to purchase or construct capital or other noncurrent assets are classified as noncurrent restricted assets in the Statement of Net Assets.

H. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed $100,000. Any infrastructure exceeding $3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property.

I. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

J. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and unclassified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave, which would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits or may be paid at actuarially computed amounts.

Upon termination or transfer, an employee will be paid for any time and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

K. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of revenue bonds and notes payable with contract maturities greater than one year, estimated amounts for accrued compensated absences, and other postemployment benefits that will not be paid within the next fiscal year.

L. NET ASSETS

The university's net assets are classified as follows:

(a) Invested in capital assets, net of related debt consists of the university's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to the acquisition, construction, or improvement of those assets.

(b) Restricted net assets - nonexpendable consist of endowments and similar type funds that donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

(c) Restricted net assets - expendable consist of resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(d) Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and certain auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

M. CLASSIFICATION OF REVENUES

The university has classified its revenues as either operating or nonoperating according to the following criteria:

(a) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts.

(b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

N. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the university implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*. Statement No. 45 affects the reporting of long-term liabilities and is addressed in the financial statements, the accompanying notes, and schedule. The measurement and recognition requirements of this statement have been applied on the prospective basis. The implementation of Statement No. 50 had no significant impact on the financial statements or notes.

O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by students and/or third parties making payments on the students' behalf.

P. ELIMINATING INTERFUND ACTIVITY

All activities among departments, campuses, and auxiliary units of the university are eliminated for purposes of preparing the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

Q. USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2008, the university has cash and cash equivalents (book balances) totaling $10,362,370 as follows:

Demand deposits:	
Interest-bearing	$8,831,065
Noninterest-bearing	(755,201)
Time certificates of deposit	2,285,106
Petty cash	1,400
Total	$10,362,370

Custodial credit risk is the risk that in the event of a bank failure, the university's deposits may not be recovered. Under state law, the university’s deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

3. INVESTMENTS

At June 30, 2008, the university has investments totaling $43,795,501. The university’s investment policy follows state law (R.S. 49:327), which authorizes the university to invest funds in direct U.S. Treasury obligations, U.S. government agency obligations, direct security repurchase agreements, reverse direct repurchase agreements, investment grade commercial paper, investment grade corporate notes and bonds, and money market funds. A summary of the university’s investments follows:

Type of investment	Fair Value	Percent of Investment	Investment Maturity (in years) Less Than 1	1 to 5	6 to 10
Investments held by foundation[1]	$2,231,063	5.09%	$2,231,063		
Corporate bonds[1]	6,655,132	15.20%	3,589,280		$3,065,852
Common and preferred stock[1]	1,564,442	3.57%			
Negotiable certificates of deposit[1]	603,127	1.38%		$510,328	92,799
Held by blended component unit[2]	32,741,737	74.76%	32,741,737		
Total Investments	$43,795,501	100.00%	$38,562,080	$510,328	$3,158,651

[1] Credit quality ratings are not required for these investments.

[2] Credit quality ratings are not available for these investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the university's investments by type as described previously. The university does not have a policy to further limit credit risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The university's investment policy generally requires that issuers must provide the university with safekeeping receipts, collateral agreements, and custodial agreements.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. State law requires that at no time shall the funds invested in U.S. government agency obligations exceed 60% of all monies invested with maturities of 30 days or longer. In addition, state law limits the investment in commercial paper and corporate notes and bonds to 20% of all investments. The university does not have policies to limit concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State law as applicable to institutions of higher education does not address interest rate risk. In addition, the university does not have policies to limit interest rate risk.

Investments held by private foundations in an external investment pool are managed in accordance with the terms outlined in a management agreement executed between the university and the Grambling Black and Gold Foundation, with the university being a voluntary participant. These investments total $2,231,063 and have no specified maturity date or credit quality rating.

Investments held by the blended component unit were reported in the financial statements and notes to the financial statements for the Black and Gold Facilities, Inc., which were prepared in accordance with the pronouncements of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* Generally accepted accounting principles allow for the inclusion, in the same consolidated report, of financial statements prepared in accordance with FASB with those prepared under the standards of GASB. As such, the notes to the financial statements of the corporation does not reflect the requirements of GASB Statement No. 3, as revised by Statement No. 40, for these investments.

4. RECEIVABLES

Receivables are shown on the Statement of Net Assets, net of an allowance for doubtful accounts, at June 30, 2008. These receivables are composed of the following:

Type	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Student tuition and fees	$8,522,270	($6,418,586)	$2,103,684
Federal, state, and private grants and contracts	1,118,491	(30,340)	1,088,151
Auxiliary enterprises	2,232,472		2,232,472
Other	496,628		496,628
Total	$12,369,861	($6,448,926)	$5,920,935

5. NOTES RECEIVABLE

The university administers the Nursing Student Loan program. Notes receivables are comprised of loans to students under this program. If loans are determined to be uncollectible and not eligible for reimbursement by the federal government, the loans can be written off and assigned to the Department of Health and Human Services (DHHS). Loans are no longer issued under the Nursing Student Loan program, but collections are still being made on outstanding loans and remitted quarterly to the DHHS. As of June 30, 2008, notes receivable totaling $1,660 is shown on the Statement of Net Assets, net of an allowance for doubtful accounts of $101,896.

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2008, follows:

	Balance June 30, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated:					
Land	$1,145,558	$48,000			$1,193,558
Construction-in-progress	42,755,269	39,558,300	($50,735,528)		31,578,041
Total capital assets not being depreciated	$43,900,827	$39,606,300	($50,735,528)	NONE	$32,771,599
Other capital assets:					
Land improvements	$467,099		$4,177,324		$4,644,423
Less accumulated depreciation	(467,099)	($69,622)			(536,721)
Total land improvements	NONE	(69,622)	4,177,324	NONE	4,107,702
Buildings	132,678,792		43,984,748	($6,457,436)	170,206,104
Less accumulated depreciation	(57,442,931)	(3,394,418)		4,277,395	(56,559,954)
Total buildings	75,235,861	(3,394,418)	43,984,748	(2,180,041)	113,646,150
Equipment	11,913,424	360,382	2,573,456	(712,167)	14,135,095
Less accumulated depreciation	(9,491,594)	(670,833)		712,167	(9,450,260)
Total equipment	2,421,830	(310,451)	2,573,456	NONE	4,684,835
Library books	14,666,866	465,056		(8,045)	15,123,877
Less accumulated depreciation	(13,920,952)	(389,540)		8,045	(14,302,447)
Total library books	745,914	75,516	NONE	NONE	821,430
Total other capital assets	$78,403,605	($3,698,975)	$50,735,528	($2,180,041)	$123,260,117
Capital Asset Summary:					
Capital assets not being depreciated	$43,900,827	$39,606,300	($50,735,528)		$32,771,599
Other capital assets, at cost	159,726,181	825,438	50,735,528	($7,177,648)	204,109,499
Total cost of capital assets	203,627,008	40,431,738	NONE	(7,177,648)	236,881,098
Less accumulated depreciation	(81,322,576)	(4,524,413)	NONE	4,997,607	(80,849,382)
Capital assets, net	$122,304,432	$35,907,325	NONE	($2,180,041)	$156,031,716

7. PAYABLES

The following is a summary of payables and accrued expenses at June 30, 2008:

Account Name	
Vendor payables	$4,746,480
Accrued salaries and benefits	2,246,333
Other	981,952
Total payables	$7,974,765

8. DEFERRED REVENUES

The following is a summary of deferred revenues at June 30, 2008:

Prepaid tuition and fees	$914,976
Prepaid athletic ticket sales	14,386
Grants and contracts	148,378
Total deferred revenues	$1,077,740

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description--Employees of Grambling State University voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately prior to retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Web site at www.doa.la.gov/osrap.

Funding Policy--The contribution requirements of plan members and the university are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) plan, the Exclusive Provider Organization (EPO) plan, and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to six OGB Medicare Advantage plans - three HMO plans and three private fee-for-service (PFFS) plans. The three HMO plans are Humana Regional HMO Plan, Peoples Health Regional HMO Plan, and Vantage Statewide HMO Point-of-Service Plan. The three PFFS plans are Humana Statewide PFFS Plan, Universal American/Today's Option Statewide PFFS Plan, and United Healthcare/Secure Horizons Statewide PFFS Plan. Depending upon the plan selected, during fiscal year 2008, employee premiums for a single member receiving benefits range from $34 to $92 per month for retiree-only coverage with Medicare or from $126 to $170 per month for retiree-only coverage without Medicare. The fiscal year 2008 employee premiums for a retiree with spouse, children, or family coverage range from $69 to $452 per month for those with Medicare and from $181 to $496 per month for those without Medicare.

The plan is currently financed on a pay-as-you-go basis, with the university contributing from $103 to $237 per month for retiree-only coverage with Medicare or from $809 to $842 per month for retiree-only coverage without Medicare during fiscal year 2008. Also, the university's contributions range from $207 to $1,168 per month for retiree with spouse, children, or family coverage with Medicare or from $860 to $1,293 for retiree with spouse, children, or family coverage without Medicare.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays one-half of the premiums. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability--The university's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which is being implemented prospectively for the year ended June 30, 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period of 30 years. A 30-year, closed amortization period had been used. The total ARC for fiscal year 2008 is $9,449,000 as set forth below.

Normal cost	$4,788,500
30-year UAAL amortization amount	4,297,077
Interest	363,423
Annual required contribution (ARC)	$9,449,000

Since this fiscal year is the first fiscal year for which GASB 45 is applicable for the state, no information for prior years is presented.

The following schedule presents the university's OPEB obligation for fiscal year 2008:

Beginning net OPEB obligation at July 1, 2007	NONE
Annual required contribution	$9,449,000
Interest on net OPEB obligation	NONE
ARC adjustment	NONE
OPEB cost	9,449,000
Contributions made - current year retiree premiums	(1,645,388)
Increase in net OPEB obligations	7,803,612
Ending net OPEB obligation at June 30, 2008	$7,803,612

Using the pay-as-you-go method, the university contributed 17.4% of the annual postemployment benefits cost during 2008.

Funded Status and Funding Progress--During fiscal year 2008, neither the university nor the State of Louisiana made contributions to its postemployment benefits plan trust. A trust was established during fiscal year 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the university's entire actuarial accrued liability of $112,452,500 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2007, was as follows:

Actuarial accrued liability (AAL)	$112,452,500
Actuarial value of plan assets	NONE
Unfunded actuarial accrued liability	$112,452,500
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$29,522,019
UAAL as a percentage of covered payroll	381.00%

Actuarial Methods and Assumptions--Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2007, OGB actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 9.5% and 10.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, is 29 years.

10. PENSION PLANS

Plan Description--Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSL), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSL is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer plan because the material portion of its activity is with one employer--the State of Louisiana. Both plans provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after five years of service with TRSL and 10 years of service with LASERS. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy--The contribution requirements of employee plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSL) and 7.5% (8% for LASERS employees hired after July 1, 2006) of covered salaries. In fiscal year 2008, the state contributed 16.6% of covered salaries to TRSL and 20.4% of covered salaries to LASERS. The employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The employer contributions to TRSL for the years ended June 30, 2008, 2007, and 2006 were

$2,925,353; $2,589,668; and $2,528,076, respectively, and to LASERS for years ended June 30, 2008, 2007, and 2006 were $1,707,417; $1,440,005; and $1,440,065, respectively, equal to the required contributions for each year.

Optional Retirement System

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRSL for 5 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 16.6% of covered payroll for fiscal year 2008. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSL pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSL retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the TRSL. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled $1,522,796 and $733,881, respectively, for the year ended June 30, 2008.

11. CONTINGENT LIABILITIES AND RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are considered state liabilities and paid upon appropriation by the legislature and not the university. As of June 30, 2008, the university was involved as a defendant in six lawsuits which are being handled by contract attorneys. The attorneys have estimated no reasonable potential liability relating to these claims. This note does not include any lawsuits filed with the university system or the Office of Risk Management, the agency responsible for the state's risk management program.

12. COMPENSATED ABSENCES

At June 30, 2008, employees of the university have accumulated and vested annual, sick, and compensatory leave of $2,203,215; $1,138,789; and $447,200, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

13. OPERATING LEASES

The university's total rental expense for operating leases is $391,942 for the year ended June 30, 2008. The university's lease agreements have non-appropriation exculpatory clauses that allow lease cancellation if the legislature does not make for its continuation during any future fiscal period. The following is a schedule by years of future minimum annual lease payments required under operating leases:

	Fiscal Year										
	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	2029-2033	2034-2038	Total
Nature of lease:											
Office equipment	$246,104										$246,104
Land	2	$2	$2	$2	$2	$10	$10	$10	$10	$10	60
Total	$246,106	$2	$2	$2	$2	$10	$10	$10	$10	$10	$246,164

14. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the university for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Bonds and notes payable:					
Revenue bonds payable	$65,681,844	$41,925,000	($166,954)	$107,439,890	$75,000
Notes payable	2,518,363		(296,055)	2,222,308	144,712
Total bonds and notes payable	68,200,207	41,925,000	(463,009)	109,662,198	219,712
Other postemployment benefits payable		7,803,612		7,803,612	
Compensated absences payable	3,239,872	549,332		3,789,204	742,804
Total long-term liabilities	$71,440,079	$50,277,944	($463,009)	$121,255,014	$962,516

The additions to compensated absences during the fiscal year represent the net change during the year because the additions and reductions could not readily be determined.

15. REVENUE BONDS AND NOTES PAYABLE

Revenue bonds and notes payable consisted of the following:

	Date of Issue	Original Issue	Principal Outstanding June 30, 2007	Issued (Redeemed)	Principal Outstanding June 30, 2008	Maturities	Interest Rates	Interest Outstanding June 30, 2008
Revenue Bonds								
Student Housing System:								
2006 Series A	October 1, 2006	$55,705,000	$55,705,000		$55,705,000	2039	3.79-4.38%	$53,813,950
2006 Series B	October 1, 2006	3,595,000	3,595,000		3,595,000	2013	5.32-5.41%	588,154
2006 Series C	October 1, 2006	5,700,000	5,700,000		5,700,000	2038	5.15-5.80%	6,392,080
2007 Series A	December 1, 2007	39,330,000		$39,330,000	39,330,000	2040	4.00-5.00%	43,280,263
2007 Series B	December 1, 2007	2,595,000		2,595,000	2,595,000	2016	5.7%	777,777
Net Premium/Discount amortized over life on:								
2006 Bonds			681,844	(16,741)	665,103			
2007 Bonds				(150,213)	(150,213)			
Total Bonds Payable		106,925,000	65,681,844	41,758,046	107,439,890			104,852,224
Notes Payable								
U.S. Department of Education	May 1, 1993	3,500,000	2,300,043	(109,568)	2,190,475	2023	3.0%	564,711
Ford Motor Credit Company for telephone equipment	August 30, 2001	1,165,931	218,320	(186,487)	31,833	2008	4.1%	163
Total Notes Payable		4,665,931	2,518,363	(296,055)	2,222,308			564,874
Total bonds and notes payable		$111,590,931	$68,200,207	$41,461,991	$109,662,198			$105,417,098

The outstanding bonds in the above schedule are related to the blended component unit identified in note 1-B and are not the responsibility of the University.

The scheduled maturities of revenue bonds and notes payable are as follows:

	Bonds Payable		Notes Payable		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2009	$75,000	$5,262,632	$144,712	$65,037	$5,547,381
2010	930,000	5,236,032	116,292	61,462	6,343,786
2011	1,240,000	5,177,549	119,807	57,947	6,595,303
2012	1,445,000	5,104,394	123,428	54,326	6,727,148
2013	1,590,000	5,022,607	127,159	50,595	6,790,361
2014-2018	10,440,000	23,711,560	695,820	192,950	35,040,330
2019-2023	13,775,000	20,720,615	807,527	81,243	35,384,385
2024-2028	17,615,000	16,790,400	87,563	1,314	34,494,277
2029-2033	22,510,000	11,791,471			34,301,471
2034-2038	28,490,000	5,689,552			34,179,552
2039-2040	8,815,000	345,412			9,160,412
Total	106,925,000	104,852,224	2,222,308	564,874	214,564,406
Unamortized Net Premium/Discount	514,890	NONE	NONE	NONE	514,890
Total	$107,439,890	$104,852,224	$2,222,308	$564,874	$215,079,296

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2008:

	Reserves Available	Reserve Requirement	Excess
U.S. Department of Education note	$528,000	$528,000	NONE
Revenue Bonds - Debt Service	4,385,978	4,309,841	$76,137
Revenue Bonds - Maintenance	5,903,410	3,251,104	2,652,306
Totals	$10,817,388	$8,088,945	$2,728,443

The university is required by the U.S. Department of Education note to establish a Retirement of Indebtedness Account and make semiannual deposits of $22,250 until $178,000 has been reached. Once the debt service reserve account balance is satisfied, the university is to establish a Repair and Replacement Reserve Account and make annual deposits of $35,000 until $350,000 has been accumulated.

In addition, the university is required to establish Debt Service Reserve Accounts related to the issuance of bonds for the purpose of constructing new dormitories.

16. DUE FROM STATE TREASURY

Amounts due from the State Treasury shown on the Statement of Net Assets at June 30, 2008, are composed of the following:

Facilities Planning and Control - construction funds	$1,000,000
Board of Regents - matching endowment funds	120,000
Total	$1,120,000

17. RESTRICTED NET ASSETS

The university has the following restricted net assets at June 30, 2008:

Nonexpendable - endowments	$6,310,542
Expendable:	
Grants and contracts	$6,104,238
Student fees	1,609,057
Student loans	103,458
Student technology fees	439,115
Debt service requirments	528,000
University plant projects	1,467,320
Total	$10,251,188

18. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2008, $1,397,557 is restricted by R.S. 17:3351.1 and other statutes. Listed below are the net assets restricted by enabling legislation and the purpose of the restriction:

Building and Facility Prevention Maintenance Program	$305,788
Building Use Fee	371,430
Student Technology Fee	439,115
Vehicle Registration Fee	281,224
Total	$1,397,557

19. DONOR RESTRICTED ENDOWMENTS

If a donor has not provided specific instructions, state law permits the Board of Regents to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. At June 30, 2008, net appreciation of $233,173 is available to be spent and is restricted to specific purposes.

20. AFFILIATED ORGANIZATIONS

The accompanying financial statements do not include the accounts of the following affiliated organizations:

Grambling Black and Gold Foundation, Inc.
Grambling University Athletic Foundation

The affiliated organizations are not included in the university's financial statements as component units since they do not meet the criteria for inclusion established by the Division of Administration, Office of Statewide Reporting and Accounting Policy. The organizations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

However, the accompanying financial statements do include the Black and Gold Facilities, Inc., accounts. These accounts have been audited by another independent auditor.

21. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a nongovernmental fund-raising foundation affiliated with a governmental university (such as Grambling State University) may supplement salaries of certain university employees. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university.

The amount of on-behalf payments for fringe benefits and salaries included in the university's accompanying financial statements for fiscal year ended June 30, 2008, was $670.

22. DEFERRED COMPENSATION PLAN

Certain employees of the university participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available on the Internet at www.lla.la.gov.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the
Other Postemployment Benefits Plan

The schedule of funding progress is required supplementary information that presents certain specific data regarding the funding progress of the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

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GRAMBLING STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA

Schedule of Funding Progress for the Other Postemployment Benefits Plan Fiscal Year Ended June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2007	NONE	$112,452,500	$112,452,500	0.0%	$29,522,019	381%

Note to the Schedule:
GASB Statement 45 was implemented prospectively during the fiscal year ended June 30, 2008; therefore, only one year of information is presented.

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OTHER REPORT REQUIRED BY

GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control and on compliance with laws and regulations and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on an audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 6, 2009

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the basic financial statements of the business-type activities of Grambling State University, a campus within the University of Louisiana System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated May 6, 2009. Our report was modified to include a reference to another auditor, an emphasis of a matter regarding the impact of hurricanes Katrina and Rita, the implementation of a new accounting standard, and lack of inclusion of required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Black and Gold Facilities, Inc., as described in our report on Grambling State University's financial statements. The financial statements of the Black and Gold Facilities, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grambling State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Grambling State University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grambling State University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the following paragraph, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Inaccurate Annual Fiscal Report

For the second consecutive year, Grambling State University (university) did not submit an accurate Annual Fiscal Report (AFR) to the University of Louisiana System (System) office. As authorized by Louisiana Revised Statute (R.S.) 39:79, the commissioner of administration through the Division of Administration's Office of Statewide Reporting and Accounting Policy (OSRAP) prescribes the content and format for the preparation of AFRs by state agencies and university systems. The AFR prepared by the university is submitted to the Louisiana Legislative Auditor for audit and to the System office for inclusion in the AFR for the System.

Good internal control and sound business practices require (1) accounting records and reports reflect all financial transactions incurred by an entity for the reporting cycle, (2) subsidiary records to be routinely reconciled to control records for consistency, and (3) reports to be reviewed by competent members of management for accuracy and compliance with applicable requirements.

A review of the university's AFR for the fiscal year ended June 30, 2008, disclosed the following errors which resulted in significant adjustments to the financial statements:

- Management inaccurately reported account balances of $740,840 as unrestricted net assets that should have been classified as restricted expendable net assets based on the nature of the accounts. As a result, restricted expendable net assets were understated and unrestricted net assets were overstated by $740,840 each on the Statement of Net Assets (SNA). The correction of these errors also required the plant fund portion of the related note disclosure to be reduced by $1,043,662, and the restricted expendable portion to be increased by $1,784,502.

- Management did not properly blend information from the external audit report for the component unit, Black and Gold Facilities Inc., when preparing its AFR. As a result, depreciation expense was overstated by $180,549 and other operating expenses were understated by $180,549 on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA).

- Management incorrectly classified funds received from the Grambling Black and Gold Foundation as auxiliary revenues rather than gifts. This resulted in an overstatement of auxiliary enterprise revenues by $500,000 and an understatement of gifts by $500,000 on the SRECNA.

- Management used inaccurate amounts in the allocation of scholarship allowances between tuition and fees and auxiliary enterprise revenues. As a result, auxiliary enterprise revenues - scholarship allowances were understated by $104,798; scholarship and fellowship expenses were understated by $821,721; and student tuition and fees - scholarship allowances were overstated by $926,519 on the SRECNA.

- Management did not properly classify federal funds received from Title III for matching endowment funds. This resulted in an overstatement of federal grants and contracts of $815,419 and an understatement of additions to permanent endowments of $815,419 on the SRECNA.

- Management incorrectly allocated the $7,803,612 of other post-employment benefits (OPEB) expense based on functional expense percentages on the SRECNA rather than the payroll and related benefit percentages. As a result, instruction expenses were understated by $1,251,812; research expenses were overstated by $10,082; academic support expenses were understated by $183,684; student services expenses were overstated by $196,048; institutional support expenses were overstated by $175,627; operations and maintenance of plant expenses were understated by $73,139; and auxiliary enterprises expenses were overstated by $1,126,878.

Some of these same errors caused related adjustments to the Statement of Cash Flows as follows:

- Operating grants and contracts were overstated by $815,419 and non-capital financing private gifts for endowment purposes were understated by $815,419.

- Operating auxiliary enterprise receipts were overstated by $500,000 and non-capital financing grants and gifts for other than capital purposes were understated by $500,000.

- Operating loss was understated by $1,315,419.

- Depreciation expense was overstated by $180,549 and the change in other liabilities were understated by $180,549.

Other adjustments were also necessary to correct the presentation in the Notes Payable Schedule (2-B). Management failed to include the amount of interest due in 2009 for the Department of Education note payable. Therefore, the amount of interest for Notes Payable was understated by $64,873.

Ten additional proposed adjusting entries were identified for the financial statements and notes that we did not consider material or significant. The proposed adjusting entries were prepared and presented to management for consideration.

Management of the university does not adequately analyze and adjust the accounts in its accounting system prior to closing the system and preparing its AFR. In addition, supporting schedules and work papers are not prepared and agreed to the supporting accounting records prior to the preparation of the financial statements. As a result, the university's financial information submitted to the System required significant time and effort by the auditors to identify and correct errors which should have been detected by management. This also caused unnecessary delays in issuing the university's and the System's annual financial statements. Furthermore, failure to timely analyze accounts and identify errors subjects university assets to fraud and/or abuse.

Once again, we recommend that university management should immediately begin analyzing and reconciling all accounts and should make all adjustments necessary to the records to reflect current, accurate financial information. In addition, management should develop a compilation process that requires the timely reconciliation of all general ledger accounts to subsidiary or supporting records and schedules. The compilation process should include the performance of analytical procedures and a high level supervisory review of financial information and note disclosures to detect and correct errors in a timely manner before submitting that information to the System and the Louisiana Legislative Auditor. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

Control Weaknesses Over Information Technology

The university has not implemented adequate controls over its Information Technology Center's (ITC) activities, which could affect the integrity of programs, processes, and data. To ensure that financial data is protected from inappropriate access and loss and is reported efficiently, good internal control and best business practices require the development and testing of a disaster recovery plan and offsite backup storage program for all critical systems; segregation of the financial system from the campus internal network; control over access to the financial system; timely closing of fiscal periods; and adequate control over financial reporting.

During all or part of the fiscal year ended June 30, 2008, the following control weaknesses existed:

- The current disaster recovery plan lacked key components, such as a business impact analysis; certain detailed working procedures for system and data restoration; adequate testing to verify the effectiveness of the plan; senior management sign-off; and adequate distribution to team members. In addition, Office of Information Technology (OIT) policy IT-POL-011 states that agencies shall use the current disaster recovery/business continuity planning software hosted by OIT. The university did not use the planning software (STROHL) hosted by OIT when developing its plan and it has not transferred its plan to the STROHL software. Also, the backup tape storage facility lacks adequate physical and environmental controls and is not located far enough away from the primary site.

- The Banner administrative system is not properly segregated from the rest of the university's internal networks and the network intrusion prevention system is not properly used.

- Module users are not provided with system-generated security reports; therefore, Banner access reviews are not performed by the owners. In addition, departmental users and the database administrator from the ITC have inappropriate maintenance (add/update/delete) access to Banner forms. Furthermore, once user access forms are approved by the module owner the form is given to the individual requesting access to be delivered to ITC. This creates the opportunity for the individual to alter the approved form and gain access to unauthorized applications.

- Fiscal periods are not closed timely, ranging from seven to 12 weeks following the end of the month, and the accrual period for the fiscal year was kept open after the financial statements were provided to the Office of Legislative Auditor. In addition, supervisory review of monthly reconciliations of the general ledger to subsidiary ledgers or transaction records was not performed on a timely basis. Also, the GASB reporting function within Banner is not being used by the university to prepare its AFR. The university currently uses an Excel spreadsheet that includes 29 different worksheets and various complex functions to prepare its financial statements. This process is very labor-intensive, time-consuming, and error-prone.

Management of the university has not placed sufficient emphasis on implementing and monitoring the necessary controls to ensure the university's information technology systems have adequate security and reliability. The lack or inadequacy of these controls could result in prolonged disruption of continuous service, loss of data, compromise of integrity and confidentiality of private/sensitive information, and issuance of potentially misstated financial statements.

University management should develop and implement the necessary controls to ensure that the university's information technology system is secure and reliable. A comprehensive information technology disaster recovery plan should be developed using the required software and tested. In addition, the network configuration should be re-evaluated with an emphasis on segregating the Banner system from the rest of the internal campus network. Also, noted access issues should be immediately resolved; Banner access reports be developed and provided to module owners timely so access reviews are conducted regularly; and a process be implemented to ensure that access is granted on a needs-only basis. Finally, fiscal periods should be closed timely, accounts reconciled and reviewed prior to closing all reporting periods, and consideration given to automating the AFR preparation process by use of the GASB reporting function in the Banner system. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 2-3).

Unlocated Movable Property

For the fourth consecutive year, the university has identified a significant amount of unlocated movable property as a result of its annual property inventory certification procedures. Current year inventory procedures identified unlocated property items totaling $955,110. Of that amount, items totaling $203,052 were removed from the property records because these items had not been located for three consecutive years. Of the unlocated property reported on the university's property inventory certification, the amount of unlocated computers and computer-related equipment totaled $543,766; audio visual equipment totaled $134,625; office equipment totaled $117,912; and scientific equipment totaled $86,121. In addition, our tests of movable property revealed that three of 59 items (5%) could not be located. Of the 56 that were located, four items (7%) should be deleted from Louisiana Property Assistance Agency (LPAA) records because they are obsolete and/or not in use; three items (5%) were not properly tagged; and six items (11%) were not in their recorded location. Two out of 10 new additions tested (20%) were entered into LPAA records at the wrong original cost, reflecting a net understatement of $277. Also, one item was reported to LPAA six days after the required 60-day reporting period, as reflected on the Late Additions Report for the period July 1, 2007, to June 30, 2008.

R.S. 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated property to LPAA. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets should be properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory should be conducted. The university's certification of annual property inventory submitted to LPAA on October 1, 2007, indicated the total dollar value on the Master File listing for movable property to be $22,575,644.

University management has not enforced and consistently applied its existing policies and procedures for tracking movable property across campus and conducting the annual inventory. Failure to enforce existing policies and procedures subjects the university's movable property to increased risk of loss and/or unauthorized use and subjects the university to noncompliance with movable property laws and regulations. Furthermore, because of the nature of services provided by the university, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Once again, we recommend that university management enforce and consistently apply its existing policies and procedures for tracking movable property items and conducting the annual property inventory. In addition, management should strengthen its procedures to require more extensive searches for unlocated items and require university personnel to immediately respond to the property control officer's requests concerning unlocated property. Finally, management needs to devote additional efforts to locating movable property reported as unlocated in previous years and comply with all applicable requirements of LPAA. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 4-6).

Failure to Obtain Written, Signed Contracts

For the second consecutive year, the university conducted business with vendors and other institutions without having current valid contracts. Sound internal control and good business practices require that agreements between parties should be reduced to writing, signed and dated by both parties, and should provide clarity of action required by both parties; otherwise, the agreements may be ambiguous and unenforceable.

During the 2008 fiscal year, the university conducted business with vendors and other institutions without first obtaining a valid contract or allowed existing contracts to expire without beginning the renewal process in sufficient time so a new contract could be in place as the contracts expired. Our examination of university contracts and agreements during our audit period disclosed the following:

- The cooperative endeavor agreement among the university, Southern University, Southern University System Foundation, and the Grambling Black and Gold Foundation, Inc., for the annual Bayou Classic football game and related events was never signed.

- The contracts between the university and its two collection agencies which expired on February 28, 2007, were not renewed until September 30 and October 6, 2008, even though the university and the collection agencies continued to conduct business throughout the entire fiscal year.

- Seventy of 103 (68%) athletic events, including football, basketball, and baseball games, were not supported by a signed contract between the university and the competing school.

Management of the university has not placed sufficient emphasis on obtaining signed contracts to support its business operations as is evidenced by the number of unsigned contracts and the excessive length of time taken to renew contracts after they have expired. Failure to execute signed contracts with clearly identifiable terms and conditions could result in the university paying for services not received and/or incurring unnecessary litigation fees.

Once again, we recommend that management of the university develop and implement the controls necessary to ensure that contracts are submitted in sufficient time to allow for the completion of the approval process prior to services being rendered or the expiration of existing contracts. The approval process must include the timely signing and dating of all contracts. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 7-8).

Athletic Revenue Control Weaknesses

For the fourth consecutive year, the university has not implemented adequate internal controls over its athletic revenues. Good internal control and sound business practices require (1) the assignment of incompatible duties to separate individuals and, where this is not possible, the timely and adequate review of the work performed by upper management; (2) adequate procedures be in place to ensure the proper accounting for all athletic tickets printed and sold; and (3) complimentary tickets should be issued in accordance with university policy which was approved by the System. A review of the internal controls in the university's athletic department disclosed the following weaknesses:

- The director of ticket operations verifies cash drawers, reconciles daily ticket sales, prepares deposits, controls ticket stock, reconciles ending ticket sales to total revenue deposited, manages petty cash, sets up and adjusts accounts receivable, and prepares journal vouchers. She also has the opportunity to sell tickets, collect cash, and print tickets for sale and her actions are done without review by a member of upper management.

- The university has not reconciled athletic ticket sales timely. A test of athletic ticket sales reconciliations for five football games revealed that these reconciliations were performed from 13 to 215 days (7 months) after the games were played.

- An internal audit report issued on September 9, 2008, disclosed that the university issued complimentary football tickets in excess of the number authorized by university policy which was approved by the System. The university issued six "home" game tickets and 96 "away" game tickets in excess of the number authorized by the university policy.

University management has not placed sufficient emphasis on maintaining adequate segregation of duties within the athletic department, reconciling ticket sales timely, following the university's policy on complimentary tickets, and developing adequate policies and procedures to address these issues. These weaknesses increase the risk that errors or fraud could occur and not be detected timely.

Once again, we recommend that university management should implement internal controls within the university's athletic department to establish and maintain an adequate segregation of duties. In addition, management should reconcile ticket sales for sporting events timely and should comply with its existing policy relating to complimentary tickets. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 9-10).

Inadequate Collection Efforts of Accounts Receivable

The university has not developed and implemented the policies and procedures necessary to effectively pursue the collection of funds owed the university by current and former employees, students, and members of the general public. In addition, the university has not provided its external collection agencies with complete information in a timely manner to enhance the collection process. Good internal controls and sound business practices dictate that management develop and implement clear and concise written policies and procedures that would allow for the timely recording, aging, billing, and collection of amounts owed the university. University staff should be trained and periodically evaluated to ensure that they are following university policies and procedures. In addition, when payments are not received within a reasonable time, the policies should clearly indicate that the accounts should be turned over to an external collection agency for further collection efforts. Furthermore, the university should transfer all available information to the external collection agency as quickly as possible so it will have the information necessary to maximize its collection efforts.

Between March 1, 2004, and June 30, 2008, the university made at least 13 separate transfers to its two collection agencies. One collection agency received 2,803 accounts totaling $7,137,213 and the other received 3,045 accounts totaling $2,873,647. Historical collection rates for these accounts were only 3.19% and 3.93%, respectively. Based on discussions with members of management from the collection agencies, these collection rates fall well below the average collection rates for similar clients. They attribute the low collection rates to not receiving accounts timely, not receiving sufficient information on each account, and repeatedly receiving the same accounts that they had already attempted to collect without success.

A review of the university's collection records and procedures disclosed the following:

- The university has different policy statements regarding the collection of amounts owed the university and when delinquent amounts should be transferred to an external collection agency. The different policy statements either (1) indicate no specific period of time to transfer accounts, (2) state that accounts are to be transferred when they are 90 days past due, or (3) state that accounts are to be transferred when there has been no activity for a full academic year. Management informed our auditors that regardless of the policy statements it transfers accounts to its collection agencies every 18 months. However, management decides when the 18-month period begins and ends and accounts are not being transferred monthly as they become delinquent. Under current procedures, it is possible that accounts may not be transferred for up to 36 months after becoming delinquent.

- In a review of recent transmissions to the collection agencies, we noted that the information provided by the university consisted of names, social security numbers, and account balances. Other relevant information on file at the university, such as phone numbers (including cell phone numbers), permanent addresses, parent's information, references, entrance and exit interview information, et cetera, should also be provided to the collection agencies.

- Accounts that are deemed uncollectible by a collection agency and returned to the university are not consistently updated or aged appropriately by the university resulting in many of the accounts being repeatedly sent back to the collection agency.

- Collection efforts are not being applied for current and former employees of the university. At June 30, 2008, 306 current employees owed the university $88,347 and 13 former employees owed the university $12,877 prior to leaving the university. The university has not taken appropriate action to collect amounts from these individuals.

- Management personnel were unable to explain how non-student and non-employee receivables, such as parking tickets, are recorded or collected.

University management has not placed sufficient emphasis on collecting all funds due the university. The inconsistency between the various policy statements and management's informal policy for transferring accounts every 18 months has created confusion among university personnel and others. As a result, the university does not have adequate control over its collection process. Failure to collect all funds owed the university increases the need for additional state support to operate the university.

Management should immediately develop and implement comprehensive policies and procedures that ensure the timely recording, aging, billing, and collection of amounts owed the university. The policies should clearly define a delinquent account and when these accounts are to be transferred to collection agencies to ensure prompt collection. The policies should also require all pertinent information on file with the university be transmitted to the collection agency. Furthermore, the policies should require that all uncollectible accounts returned from a collection agency be updated correctly and properly aged. The university should require its staff to periodically analyze its accounts to ensure the accuracy of the financial information presented in the university's general ledger and reported in its annual fiscal report. The university should also consider taking legal action to collect all outstanding account balances from current and former employees. Finally, management should provide adequate training for its staff members so they may effectively perform their job functions and periodically evaluate employees' performance to ensure they are following the new policy. Management partially concurred with the finding and recommendations stating it concurs that ineffective and inefficient efforts were made to collect funds owed from current and former employees, collection procedures were not implemented timely, and periodic training of staff would commence to ensure that accurate and timely information is provided to the collection agencies. However, it did not concur with the statement that the collection agencies were not provided with addresses and telephone information for the students and that this information could be verified with the collection agencies (see Appendix A, pages 11-12).

Additional Comments: The Associate Vice President of Sales for one collection agency and the Director of Marketing of the second collection agency employed by the university during the year under audit were contacted as a followup to management's response. The Director of Marketing emphatically stated that his company routinely received accounts for collection that contained only the name, social security number, and account balance. He further stated that receipt of this additional information would have assisted in the timely collection of these balances. The Associate Vice President of Sales of the other collection agency was less definitive in his comments, stating only that all information available to the university would be helpful in the collection process.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grambling State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Untimely Repayment of Travel Advances

For the second consecutive year, the university provided interest-free loans of state funds to its employees by providing travel advances without requiring the advances to be repaid in a timely manner. Article 7, Section 14 of the 1974 Louisiana Constitution states, in part, "the funds, credit, property, or things of value of the state . . . shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private." In addition, the university's FCT008 Travel Policy, Section 2(D), states that advances not cleared in 15 working days after the travel is completed may be payroll deducted. Furthermore, the university's travel policy requires strict adherence to the state travel policy as set forth by the Division of Administration for the State of Louisiana. State Travel Policy, Policy and Procedure Memorandum (PPM) 49, states, in part, that advances of funds for travel shall be made only for extraordinary travel and should be punctually repaid when submitting the travel voucher covering the related travel, not later that the fifteenth day of the month following the completion of travel.

The university had 26 outstanding travel advances totaling $18,013 as of June 30, 2008. A review of the outstanding balances revealed that 19 advances (73%) totaling $12,819 were delinquent per PPM 49 from 10 to 512 days, and 13 advances (50%) totaling $10,521 have been outstanding since June 30, 2007. A further review of travel advance balances disclosed the following:

- As previously reported, one employee having eight outstanding travel advances totaling $12,527 was terminated on May 26, 2006. During fiscal year 2008, the university applied $3,177 of the employee's termination pay to the employee's outstanding balance reducing the amount due to $9,350 as of June 30, 2008. However, we found no evidence that management made any further attempt to contact the employee or resolve the remaining balance.

- As previously reported, another employee received two travel advances in April 2006, totaling $921, and later resigned on August 4, 2006. This balance remains outstanding as of June 30, 2008. An error in the records indicated this balance had been resolved; however, after further review it was determined that the balance is actually owed to the university. On February 4, 2009, management informed the auditors that this account was transferred to a collection agency.

- Another employee terminated employment with the university in October 2007 with a $104 travel advance outstanding from October 2006. This balance remains outstanding as of June 30, 2008.

- Management was unable to provide supporting documentation for seven of the 32 (22%) travel advances selected for examination, totaling $1,763. Numerous requests were made to management for this support; however, as of February 6, 2009, it had not been provided. At one point, during the absence of the controller, we were directed to make our requests to the travel coordinator. The travel coordinator informed the auditors that she had never been shown or told how to look up a journal voucher in the accounting system to clear travel advances.

University management has not placed sufficient emphasis on ensuring compliance with state and university policies, procedures, and regulations relating to travel advances. Management has compounded the problem by allowing its employees to receive additional travel advances prior to resolving existing advances. As a result of not resolving travel advances timely, employees are being provided interest-free loans in violation of the Louisiana Constitution. Management has also failed to periodically analyze and reconcile travel advance accounts to ensure the accuracy of financial information reported in the university's annual financial report.

For the second consecutive year, we recommend that management immediately enforce existing policies and procedures to ensure the timely resolution of travel advances and to comply with the state constitution. The university should also review existing policies and procedures to determine if revisions need to be made to better control issuing and resolving travel advances. In addition, reimbursement for travel expenses should only be made once original invoices are provided as support for travel expenses. In addition, the university should periodically analyze its accounts to ensure the accuracy of the financial information presented in its general ledger and reported in its annual financial report as well as all other external reports. Furthermore, the university should take the necessary legal action against current and former employees to resolve outstanding travel advance balances. Finally, management should provide adequate training for its staff members administering travel advances so that they may effectively perform their job functions. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 13-14).

Grambling State University's responses to these findings are attached in Appendix A. We did not audit Grambling State University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Grambling State University management, University of Louisiana System management, others within the entity, 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

March 17, 2009

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

RE: Inaccurate Annual Fiscal Report

Management concurs that there were classification discrepancies in the presentation of the information within the Annual Financial Report (AFR).

- A more qualified and knowledgeable Controller (Certified Public Accountant) has been hired. Additional technical training has been extended to further expand the Controller's knowledge of the latest financial reporting practices and presentation techniques. Furthermore, account record reconciliations are performed monthly and reviewed for accuracy and reasonableness by the new Controller.

- Since October 31, 2008, the Controller is consistently performing monthly closings to ensure timely review of the data. Once the monthly records are closed, the Controller performs reconciliations of the general ledger information to the subsidiary ledger data and/or supporting documentation, further ensuring proper recording of transactions and account classifications. Finally, the GASB reporting application in Banner is being examined and, if determined effective, will be utilized to assist in the preparation of the AFR.

- The Vice President for Finance and Administration, Controller and key managers in the Division of Finance are committed to issuing an accurate Annual Financial Report.

These enhanced internal controls became effective and fully implemented in the Fall 2008 timeframe. The determination of the utilization of the GASB reporting function in Banner will occur by July 1, 2009.

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

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

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

March 11, 2009

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Control Weaknesses Over Information Technology – Management Response

Management concurs that Grambling State University (GSU) has not implemented controls over its Information Technology Center's (ITC) activities. ITC will implement good internal controls and business practices that will ensure that financial data is protected from inappropriate access. These practices will provide integrity of programs, processes and financial data. When executed properly, the following weaknesses will be eradicated:

- Current Disaster Recovery Plan – Management of the ITC has revised the disaster and recovery plan to include all key components, adequate testing, restoration, senior management sign off and distribution to team members. The university will utilize ITC's planning software for developing its current disaster and recovery/business continuity plan (STROHL). The ITC will utilize a backup storage facility with adequate physical and environmental controls; the facility is located at a reasonable distance from the primary site. The expected date of completion is March 31, 2009. The ITC completed a Disaster Recovery Test on January 30, 2009.

- Segregation of the Financial System – Management of the ITC will properly segregate the university's internal networks by establishing separate VLANs and enhance the use of the intrusion prevention system. The expected date of completion is April 30, 2009.

- Access to the Financial System – Management of the ITC will generate security reports monthly and modify inappropriate access for departmental users and the database administrator. The ITC is verifying all user-access forms with the module owners. The ITC implemented the reporting and verification process on January 14, 2009.

- Timely Closing of Fiscal Periods – Management is currently closing all fiscal periods within 15 days after prior month ending date. Management will research and, if determined feasible, automate the Annual Financial Report by utilizing the GASB feature in Banner's reporting system. The expected date of completion for implementing the GASB reporting function is July 1, 2009.

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

Sincerely,

Horace A. Judson
President

HAJ:jj

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

December 17, 2008

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Unlocated Movable Property – Management Response

Management concurs that Grambling State University (GSU) continues to experience unlocated movable property. It is clearly evident for the fourth consecutive year, as a repeat finding, we have been unsuccessful in accounting for all movable property residing on campus. In turn, we are reengineering our entire approach to receiving, delivering, inventorying and tracking movable property on campus. The corrective actions being administered are as follows:

- GSU will write a desk guide to provide general guidelines and references to assist university personnel and inventory specialists in the administration of the fixed assets program. These guidelines will help ensure that all department heads and supervisors are knowledgeable of the procedures for maintaining control and accountability of the university's fixed assets under their purview.

- The University Property Management Office must have accurate and current inventory records of all equipment and other non-consumable property, as well as the information associated with the individual and responsible department. In early December 2008, GSU developed a contract to engage The Valuation Advisory Group to provide the following services:

    - Conduct a complete inventory of all furniture, fixtures and equipment items with historical cost greater than $1,000.

    - Review existing recorded data to ascertain historical costs. The historical costs not identified during the cost-finding phase will be developed using accepted appraisal methodology, including the use of catalogs, pricing services and internally developed databases.

- Assign acquisition dates to the inventory items, when necessary.

- Calculate depreciation, both current and accumulated.

- Ensure that all items maintained on the University inventory list are properly tagged and labeled.

- Ensure that the major logistical components are populated in the applicable tracking systems (Banner and Protégé). As a minimum, the following elements will be captured:

    - Item number within report
    - Asset class
    - Description including generic name, model, number, etc.
    - Serial number
    - Asset tag number, if applicable
    - Department
    - Building
    - Room
    - Contract Specialist's Name
    - Primary Equipment User's Name
    - Funding source, as available
    - Acquisition date
    - Historical cost
    - Useful life
    - Depreciation, both current and accumulated

- The report produced by The Valuation Advisory Group will be useful as internal management tools with regard to accounting, budgeting, planning and purchasing, and will serve to enhance general fixed asset control. The property records will be designed to assist the university in complying with Generally Accepted Accounting Principles (GAAP) and reporting requirements included in Government Accounting Standards Board (GASB) Statement No. 34.

- Once the database is populated with current and accurate information, the respective departmental chairpersons, deans and directors will be encouraged to maintain accountability of their assigned assets. Periodic contract specialist sessions will be hosted by the University Property Management Office. The University Property Management Office will also, over the course of the fiscal year, conduct random checks of all areas containing inventories without prior notices:

- If an item is unaccounted for during an inventory inspection, the individual officially accountable for the property will be given 24 hours to produce the item.

- If the missing property cannot be accounted for, the responsible individual will be required to pay the full cost of the property.

We remain firmly committed to safeguarding Grambling State University's assets. Our anticipated completion date is March 31, 2009. It is our belief that the deployment and implementation of these procedures will be a more succinct response to the audit issues, both externally and internally.

If you have any questions, do not hesitate to call me or my primary point of contact, Mr. Daarel E. Burnette, Vice President for Finance and Administration, at 318-274-6406.

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

March 3, 2009

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Failure to Obtain Written, Signed Contract – Management Response

Management concurs that Grambling State University (GSU) has conducted business with vendors and other institutions without having current valid contracts. However, the university has implemented sound internal control and business practices for future years. This will include corrective measures for the following:

- Bayou Classic Football Game – A cooperative agreement between the universities for the Bayou Classic is still pending. The Grambling Black and Gold Foundation, in collaboration with the Southern University System Foundation, will begin renewing and finalizing contractual terms by June 30, 2009.

- Collection Agencies – The contractual agreements between the university and the collection agencies have been established.

    a) The President of GSU signed a contract with Regional Adjustment Bureau, Inc. (RAB) on October 13, 2008 and it is effective for three years. RAB will perform collection efforts for all accounts currently placed by GSU. No additional accounts will be submitted to RAB for collection.

    b) The President of GSU signed a contract with Williams & Fudge, Inc. (W&F) on October 13, 2008, and it is effective for three years. W&F will perform collection efforts for all accounts currently placed by GSU. No additional accounts will be submitted to W&F for collection.

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- Game Contracts – Game contracts are required for all revenue sports which consist of football and men and women's basketball. For all other sports, contracts are required if financial compensation is determined. The Southwestern Athletic Conference (SWAC) Commissioner made a commitment to GSU's Vice President for Finance and Administration that he will pursue a blanket contractual agreement between Grambling State University and its member institutions. This topic will be presented at the SWAC Annual Meeting tentatively scheduled for June 8-10, 2009.

Management of GSU has implemented business practices that will assist the university in obtaining signed contracts to support its business infrastructure. These contracts will specify identifiable terms and conditions that will aid the university in paying and collection of its financial obligations.

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

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

March 3, 2009

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Athletic Revenue Control Weaknesses – Management Response

Management concurs that Grambling State University (GSU) has not implemented adequate internal controls over its athletic revenues in the past. On January 12, 2009, GSU hired an experienced and qualified Athletic Business Manager responsible for establishing and maintaining sound internal controls over all athletics' accounting and reporting matters. Since his arrival, this manager has re-engineered GSU's Ticket Office revenue control program by separating the duties, coupled with enhancing ticket sales receipts, reconciliations, deposits and reporting processes. Tests of these controls are currently being administered to ensure adherence to the following weaknesses:

- Director of Ticket Operations – This individual is responsible for daily ticket sales, preparing deposits, controlling the ticket stock and collecting cash for the sale and printing of tickets. These responsibilities are verified and approved by the Athletics Business Manager.

- Reconciliation of athletic ticket sales - Game reconciliations will be performed two to three days after each athletic event held on campus. For athletic events that are not held on campus, reconciliations will be performed two days after finances are received. Game contracts will specify payout dates which will assist the athletic department in securing funds in a timely manner.

- Complimentary Tickets – The University will adhere to the complimentary ticket policy approved by the University of Louisiana System office.

Management of GSU has implemented a ticket policy that specifies the operations, sales and distribution of tickets. This policy will alleviate some or all of the weaknesses identified in prior years audit findings.

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

Sincerely,

Horace A. Judson

Horace A. Judson
President

HAJ:jj

GRAMBLING
STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

April 7, 2009

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

RE: Inadequate Collection Efforts of Accounts Receivable

Management concurs with the auditor's findings and recommendations on collecting receivables in a timely manner. Grambling State University (GSU) will pursue collection of all outstanding receivables after the 14th day of the semester.

This new collection procedure will be incorporated in the Student Receivable Billing and Collections Policy and submitted for approval to GSU's Policy Review Committee by April 30, 2009. The Student Accounts and Cashier's Offices will implement periodic training sessions to ensure that staff persons in these offices properly review collection accounts and that they provide information to the collection agency which is both accurate and timely.

GSU does not concur with the statement that the collection agencies were not provided with addresses and telephone information for the students. The Student Accounts Office provided all required information to the collection agencies (i.e. Department of Justice [DOJ], Regional Adjustment Bureau, and Williams & Fudge). The agencies were provided names, last known addresses, and telephone numbers. The agencies were also provided with detailed accounting transactions in the Banner system.

This information can be verified with the collection agencies. The collection data residing in the old POISE system is no longer retrievable.

GSU concurs that the uncollectible accounts returned to the University were not consistently updated or aged appropriately. Therefore, many of the accounts were frequently given back to the collection agencies. Th e Office of Student Accounts will examine each account returned from the collection agencies to determine if it should be written off. By April 30, 2009, procedures will be written to address and prevent these discrepancies from recurring.

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GSU concurs that ineffective and inefficient efforts were made to collect funds owed from current and former employees. All delinquent accounts for former employees were turned over to collections with DOJ on March 2, 2009. The following actions are to be taken against delinquent employees (current/former) with outstanding fines—i.e., traffic, tuition, labs, etc.:

1. A letter and/or email will be sent to the employees from the Vice President for Finance and Administration by April 30, 2009, stating that they have until May 31, 2009, to make full payment, or to authorize payroll deduction, or to make an appeal.

2. If the employees fail to respond properly within thirty (30) days, the accounts will be turned over to DOJ.

3. All tuition accounts not paid in full, will be assessed a one-time, six percent (6%) interest charge.

For non-university employees (e.g., visitors, vendors, parents, etc.) who have incurred fines, management will create a procedure to recoup the fines and populate this information in the Banner system by April 30, 2009. Any outstanding, non-student or non-employee accounts will be turned over to the collection agency by June 30, 2009.

If you have any questions, please call me or my primary point of contact, Mr. Daarel E. Burnette, Vice President for Finance and Administration, at (318) 274-6406.

Sincerely,

Horace A. Judson
President

GRAMBLING STATE UNIVERSITY
GRAMBLING, LOUISIANA

Office of the President

March 18, 2009

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

RE: Untimely Repayment of Travel Advances

Management concurs that there were occurrences where travel advances were not repaid in accordance with State Travel Policy and Procedure Memorandum (PPM) 49 and the University's travel policy.

The untimely repayment of travel advances are being addressed as follows:

- In the cases of the two former employees with outstanding travel advance balances upon their terminations, no collection actions have been taken since these delinquencies were revealed by the Legislative Auditors. By March 31, 2009, the Vice President for Finance and Administration will turn these uncleared and unreimbursed travel advances over to the Department of Justice for collection.

- Employees/travelers are not allowed to receive advances until all previous advances have been officially cleared. All approving authorities (Vice Presidents, Deans, Department Heads, etc.) will be notified of the enforcement of this University policy.

- Furthermore, the Controller has met with the Travel Department staff and discussed the deficiencies identified with the clearance of travel advances. The significance of adhering to the University policy and PPM 49 has been reiterated and, in light of the noted deficiencies, a heightened emphasis has been placed on complying with travel advance policies and procedures.

- The travel department will generate monthly reports of all travelers with delinquent unpaid advance balances (i.e., beyond 15 days) and the reports will be submitted to the respective approving authority for timely resolution of outstanding balance(s).

- The Vice President for Finance and Administration will send periodic campus-wide notifications reiterating the University's travel advance policies.

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Management remains committed to ensuring compliance with all rules and regulations governing travel advances. These internal control measures became effective and fully implemented in the Spring 2009 timeframe.

Sincerely,

Horace A. Judson
President

HAJ:jj