

GRAMBLING STATE UNIVERSITY



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COMPLIANCE AUDIT  
ISSUED MAY 18, 2005

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

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May 18, 2005

**DR. HORACE A. JUDSON, PRESIDENT**  
**GRAMBLING STATE UNIVERSITY**  
Grambling, Louisiana

We have conducted an audit of the Favrot Student Union (Student Union) in accordance with Title 24 of the Louisiana Revised Statutes. Our audit was performed at the request of Mr. Billy Owens, Vice President of Finance, to determine the propriety of certain allegations regarding advances and reimbursements received by Mr. Stephan Fontenot, former Student Union director, and Ms. Shannon Warren, former Student Union program coordinator.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the university's financial statements or system of internal control, nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the District Attorney for the Third Judicial District and others as required by state law.

Respectfully submitted,

Steve J. Theriot, CPA  
Legislative Auditor

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GSU05

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During the period August 2002 through October 2004, Mr. Fontenot and Ms. Warren appear to have improperly retained \$9,131 from cash advances to which they were not entitled. Of this amount:

- (1) Mr. Fontenot retained \$4,844 from per diem for individuals who did not attend Grambling State University (GSU) sponsored events;
- (2) Mr. Fontenot also retained \$821 by submitting altered hotel receipts as supporting documentation; and
- (3) Ms. Warren retained \$3,466 by submitting quotes as receipts for wardrobe purchases.

### Background

Mr. Fontenot began employment with GSU in 1990. In his capacity as Student Union director, Mr. Fontenot supervised Miss GSU and was an advisor to the Student Union Advisory Board in addition to directing the operations of the Student Union. Mr. Fontenot purchased the wardrobe for Miss GSU's escort, her court's escorts, and the male presidents of the Student Union Advisory Board. In addition, Mr. Fontenot took Miss GSU, her court, their escorts, Student Union Advisory Board members, and selected students to football games and other events as representatives of the university. Mr. Fontenot requested and received advances and reimbursements to purchase wardrobes and attend GSU sponsored events.

Ms. Warren began employment with GSU in 2000. In her capacity as Student Union program coordinator, Ms. Warren purchased the wardrobe for Miss GSU, her court, and female presidents of the Student Union Advisory Board. Ms. Warren was also an advisor to Miss GSU. Ms. Warren requested and received advances and reimbursements to purchase wardrobes.

To receive travel advances, Mr. Fontenot required Ms. Vickey Lyons, Student Union secretary, to prepare travel requests and obtain quotes based on the number of attendees. Mr. Fontenot provided Ms. Lyons with the attendee list. Once the request was complete, supporting documents were attached, Mr. Fontenot signed it, and then it was submitted to the Accounting Department for payment.

Upon returning from an event, Ms. Lyons would prepare a travel reimbursement form to reconcile the advanced funds to the actual expenses. Once the reimbursement form was complete, supporting documents were attached, Mr. Fontenot signed it, and then it was submitted to the Accounting Department. To complete the transactions, Mr. Fontenot either paid the university cash or received a university check.

The travel advances received by Mr. Fontenot consisted of funds for overnight travel and per diem (meals and tips) for each attendee. To substantiate who attended an event, Mr. Fontenot included a signed attendee list and hotel receipts in the supporting documentation that was submitted to the Accounting Department. The attendee list documented the date of the event, the event city, the amount of per diem, and the attendees. A signature on the list was certification of attendance at the event and receipt of the per diem listed.

Mr. Fontenot's Advances

During the period August 2002 through October 2004, Mr. Fontenot received 21 travel advances and additional reimbursement totaling \$106,174 to take Miss GSU and others to GSU sponsored events. He submitted attendee lists, hotel receipts, fuel receipts, clothing receipts, and other miscellaneous receipts to support \$100,958 of expenditures. Mr. Fontenot returned the remaining \$5,216. However, of the \$100,958, Mr. Fontenot appears to have improperly retained \$5,665 to which he was not entitled. Of this amount, \$4,844 was for per diem for individuals who did not attend the events and the remaining \$821 was for hotel expenses supported by altered hotel receipts.

Per Diem for Non-Attendees

Mr. Fontenot appears to have improperly retained \$4,844 in advance funds for per diem for individuals who did not attend GSU sponsored events. For example:

On October 29, 2002, Mr. Fontenot received a travel advance for \$7,216. Of this amount, Mr. Fontenot submitted receipts and an attendee list to support \$6,685 of expenditures and returned \$351 in unused funds. Of the \$6,685, Mr. Fontenot appears to have improperly retained \$702 ( $\$117 \times 6$ ) to which he was not entitled. Six individuals listed on the attendee list stated that they did not attend the event and did not receive the \$117 per diem as indicated on the list.

On September 28, 2004, Mr. Fontenot received a travel advance for \$8,940. Of this amount, Mr. Fontenot submitted receipts and an attendee list to support \$8,116 of expenditures and returned \$824 in unused funds. Of the \$8,116, Mr. Fontenot appears to have improperly retained \$616 ( $\$154 \times 4$ ) to which he was not entitled. Four individuals listed on the attendee list stated that they did not attend the event and did not receive the \$154 per diem as indicated on the list.

Though not all attendees were interviewed, 24 individuals stated they did not attend events where their signatures appear on the attendee lists nor did they receive the per diem. These individuals identified 92% of their signatures on the attendee lists as false. Ms. Lyons stated she knew that some of the individuals whose names appeared on the lists did not attend. Ms. Lyons also stated that she signed individuals' names to the attendee lists at Mr. Fontenot's request. Ms. Warren stated that although she attended 19 events and her signature appears on 19 attendee lists, she did not sign the lists for 10 of them.

Altered Hotel Receipts

Mr. Fontenot appears to have improperly retained \$821 in advance funds by submitting altered hotel receipts to the Accounting Department as supporting documentation. For example:

On August 27, 2002, Mr. Fontenot received a travel advance for \$2,140 for a trip to Lake Charles, Louisiana, from August 31 to September 1, 2002. Mr. Fontenot submitted receipts and an attendee list to support \$1,901 of expenditures and returned

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\$239 in unused funds. Of the \$1,901, Mr. Fontenot appears to have improperly retained \$384 to which he was not entitled. Mr. Fontenot retained per diem totaling \$110 (\$55 x 2) and submitted altered hotel receipts for an additional \$274. Two individuals listed on the attendee list stated that they did not attend the event and did not receive the \$55 per diem as indicated on the list. In addition, Mr. Fontenot retained \$274 by submitting altered hotel receipts to the Accounting Department as support for hotel charges. Of the eight hotel receipts that Mr. Fontenot submitted, three were altered. The hotel manager stated that only five rooms were listed for Mr. Fontenot's group. The hotel manager also stated that one of the altered receipts contained a folio number registered to a guest who was not with Mr. Fontenot's group and the other two altered receipts contained folio numbers that were not used on August 31, 2002, when the group checked in.

On December 10, 2002, Mr. Fontenot received a travel advance for \$4,820 for a trip to Birmingham, Alabama, from December 13 to December 15, 2002. Mr. Fontenot submitted receipts and an attendee list to support \$4,700 of expenditures and returned \$120 in unused funds. Of the \$4,700, Mr. Fontenot appears to have improperly retained \$733 to which he was not entitled. Mr. Fontenot retained per diem totaling \$186 (\$93 x 2) and submitted altered hotel receipts for an additional \$547. Two individuals listed on the attendee list stated that they did not attend the event and did not receive the \$93 per diem as indicated on the list. In addition, Mr. Fontenot retained \$547 by submitting altered hotel receipts to the Accounting Department as support for hotel charges. Of the 13 hotel receipts that Mr. Fontenot submitted, three were altered. The hotel manager stated that the three receipts contained numerous alterations such as:

- (1) the folio numbers were for different guests who stayed at the hotel in August;
- (2) the room numbers listed on the receipts do not exist in hotel inventory;
- (3) the room numbers at the top of the receipts should match the room numbers in the body of the receipts; and
- (4) the folio numbers listed on the receipts do not exist.

The previous two examples are the only instances where the altered hotel receipts could be verified. However, Mr. Fontenot submitted questionable receipts on three occasions from a hotel in Dallas, Texas, that is no longer in business. Ms. Lyons stated that she altered, at Mr. Fontenot's request, the receipts mentioned in the two examples and some of the receipts for the defunct Dallas hotel.

Representatives of the Legislative Auditor's Office contacted Mr. Fontenot to discuss these issues and were directed to Mr. Edward Larvadain, Mr. Fontenot's attorney. Mr. Fontenot and his attorney chose not to discuss the issues.



Ms. Warren's Advances

During the period August 2002 through August 2004, Ms. Warren received travel advances totaling \$19,100 and submitted receipts to support all the expenditures. However, Ms. Warren submitted four quotes from a local boutique totaling \$7,326 as receipts in support of the \$19,100. According to the boutique owner, Ms. Warren only made purchases totaling \$3,860 from the quotes. Therefore, Ms. Warren appears to have improperly retained \$3,466 in advanced funds to which she was not entitled. For example:

On August 24, 2004, Ms. Warren received a cash advance for \$7,500. As part of the support for this advance, Ms. Warren submitted a \$1,500 receipt for travel bags and accessories. The owner of the boutique provided her copy of the receipt that was actually a quote for \$500 and stated that none of the items contained in the quote were purchased. A "1" was added to the \$500 quote and then Ms. Warren submitted it as a \$1,500 receipt. Ms. Warren stated that all the funds were spent purchasing travel bags and accessories.

On October 29, 2004, prior to this audit, GSU terminated Mr. Fontenot and Ms. Warren's employment.

This information has been provided to the District Attorney for the Third Judicial District of Louisiana and others as required by law. The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney.<sup>1</sup>

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<sup>1</sup> **Louisiana Revised Statute 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or misrepresentations.

**Louisiana Revised Statute 14:72** provides, in part, that forgery is the false making or altering, with intent to defraud, of any signature to, or any part of, any writing purporting to have legal efficacy.

**Louisiana Revised Statute 14:133** provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, and forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

**Louisiana Revised Statute 14:134** provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse to or fail to perform any duty lawfully required of him, such as officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

GSU should exercise greater control over advanced funds. The university should implement policies and procedures that:

- (1) ensure all attendees are identified prior to advancing funds;
- (2) ensure attendance sheets contain the date of the event, the per diem amount, the event location, and the name, address, telephone number, university identification number, and signature of all attendees;
- (3) require attendees to sign an attendance sheet when they receive their per diem;
- (4) ensure attendance sheets contain a statement notifying the attendees that their signatures are certification of attendance at the event and receipt of per diem; and
- (5) require the person responsible for distributing the per diem and a witness to sign the attendance sheets.

The university should also implement policies and procedures to prevent employees from submitting altered documents and quotes as invoices. The university should require:

- (1) closer review of supporting documentation;
- (2) the use of purchase requisitions and purchase orders that clearly identify the items to be purchased for purchases over a predetermined threshold;
- (3) at least three quotes for purchases over a predetermined amount prior to advancing funds;
- (4) submitting only original receipts as supporting documentation;
- (5) recording clothing items purchased for students on individual inventory control sheets; and
- (6) reconciling the original receipts to the purchase requisitions and the items recorded on the inventory control sheet.

The university should implement individual inventory control sheets for clothing purchases, which should contain the following:

- (1) name, address, telephone number, and student identification number of the student the item was issued to;
- (2) date of purchase;
- (3) vendor;
- (4) detailed description of the item to include manufacturer, color, and size;
- (5) amount paid for the item; and
- (6) signature of the recipient.

Finally, having written policies and procedures will strengthen the university's current practices and provide a framework for present and future university employees to perform the business operations necessary to provide accurate accountability of university assets and help prevent fraud.

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Grambling State University (GSU) is a publicly supported institution of higher education. GSU is a component unit of the State of Louisiana within the executive branch of government. GSU is under the management and supervision of the University of Louisiana Systems Board of Supervisors; however, its annual budget, 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 GSU's instructional programs are funded through annual appropriations made by the Louisiana Legislature.

GSU is located in Grambling, Louisiana, and serves as a cultural and educational center for North Louisiana. GSU offers associate, baccalaureate, and selected masters and certain specialist degrees. Enrollment at GSU is approximately 5,000 during the fall and spring semesters and approximately 2,000 during the summer semesters. GSU has approximately 840 full-time faculty and staff members.

GSU is comprised of numerous divisions working in unison to create a successful learning environment. The Office of Student Activities is a division of GSU whose mission is to enhance the educational purpose and institutional values of GSU. One way that this mission is accomplished is through the Favrot Student Union (Student Union). The Student Union Advisory Board assists the staff in governing the Student Union. Miss GSU, the Royal Court, and Miss Cover Girl are part of the Student Union Board.

GSU management requested the assistance of the Legislative Auditor in determining the extent of alleged improper spending at the Student Union. The procedures performed during this audit consisted of:

- (1) interviewing members of management, administrative staff members, numerous students, and others;
- (2) examining selected records of the Student Union and vendors;
- (3) performing observations and analytical tests; and
- (4) reviewing applicable Louisiana laws.

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## Management's Response

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# *Grambling State University*

OFFICE OF THE PRESIDENT

*Grambling, Louisiana 71245*

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April 28, 2005

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
Office of Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70802

Dear Mr. Theriot:

Management concurs with the findings and recommendations on the Student Union Compliance Audit. The Controller's Office discovered the improper spending and made the appropriate reporting. The Vice President for Finance requested a review by the Legislative Auditor due to a lack of sufficient Internal Audit Staff to conduct the audit. Management acknowledges that its system of internal controls failed in this instance by allowing these individuals to inappropriately submit altered documentation for support of funds received. Systems of internal controls are only as good as the integrity of those responsible for adhering to the policies. The Student Center Director and the Coordinator were terminated immediately after discovery of their inappropriate actions. Appropriate disciplinary action will be taken against a third employee if it is determined that the party was involved. The University will make an effort to recover losses sustained as a result of the misuse of funds as identified in the audit report.

The Travel Coordinators, the Accounts Payable Staff and other accounting personnel received an in-service training conducted by the Investigative Auditor with the Legislative Auditor's Office, that encompassed tips on identifying questionable receipts and other documentation, methods for obtaining or verifying questionable documentation, the importance of discussing items of concern in person as opposed to via telephone, and the significance of requiring original documentation instead of copies.

Student referendums authorize the use of these funds from student self-assessed fees. These funds were to be used only for Student Leaders (Student Government Association members and Miss Grambling State University and Her Court) and university chaperones in the case of travel. Two new policies on the "Purchase of Clothing for Student Leaders" and "Travel by Student Leaders" will be developed under the supervision of the Vice President for Student Affairs and Enrollment Management and Vice President for Finance. Elements to be included in those policies are as follow:



1. Purchasing Clothing for Student Leaders

- a. Management has discontinued the process of issuing advances to purchase clothing for student leaders.
- b. The Purchasing Director will work with the Student Center Director and Vice President for Student Affairs and Enrollment Management to identify four to six vendors in Louisiana for purchasing clothing.
- c. Purchase requisitions detailing items of clothing and accessories for student leaders must be approved by the Vice President for Student Affairs and Enrollment Management and submitted to the Purchasing Department. If a vendor does not accept purchase orders, a check will accompany the purchase order that details the specific items to be purchased. Vendors will be required to send detailed receipts of items purchased or invoices directly to Grambling State University's (GSU's) Accounts Payable Office. In the event refunds are due, checks must be made payable to Grambling State University and remitted to the Controller's Office.
- d. The Student Center Director will obtain a copy of the invoice from the Accounts Payable Office or use the receipt for checks to accompany order to prepare an inventory sheet for each merchandise recipient that details the following:
  - Student's Name & ID
  - Student's Address
  - Student's Phone Number
  - Description (designer, color, size, etc.) of merchandise to be issued
  - Vendor's Name
  - Signature line acknowledging issuance by the Student Center Director or designee
- e. Each student will be required to sign the inventory sheet acknowledging receipt of the merchandise listed.
- f. The original copy of these logs, vendor invoices, or receipts relating to this merchandise will be sent to the Accounts Payable Office for verification and attachment to the voucher copy of check.

2. Travel to Approved University Events by Student Leaders

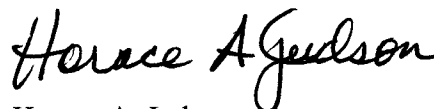
- a. The University will continue to follow its travel policy of requiring student travel coordinators to provide a list of expected travelers and an estimated cost on the Request for Authorization to Travel form. All travel requisitions (prior authorizations and travel expense reimbursements) must be approved and signed by the Vice President for Student Affairs and Enrollment Management and the University's Travel Coordinator in the Controller's Office.
- b. Substitute travelers will require an amended Request for Authorization to Travel form to show replacement names and must be approved in advance by the Vice President for Students Affairs and Enrollment Management. The University's Travel Coordinator must also approve travel authorizations prior to the date of travel.
- c. Within fifteen (15) days following the completion of travel, the student travel coordinators (staff sponsor, coach, etc.) must provide a travel log identifying the students and university staff chaperones traveling, the per diem amount provided where applicable, the funds spent by each student or chaperone, and the original receipts as required.

3. GSU Purchasing Card

GSU is in the process of implementing a purchasing card by Fall 2005 for use by some of its employees. This card can eliminate the use of advances and can also provide for a more efficient and effective procurement process. Management can restrict usage by industry classification, dollar amounts, and dates. Policies and procedures are being developed to prevent or minimize misuse and adequately address policy violations.

Management is committed to a strong system of internal controls to safeguard its assets. Policies and procedures will be continually reviewed and strengthened as weaknesses are identified.

Sincerely,



Horace A. Judson  
President