MINUTES

SPECIAL MEETING

BOARD OF SUPERVISORS FOR THE UNIVERSITY OF LOUISIANA SYSTEM

May 25, 2000
Baton Rouge, LA

The Board of Supervisors for the University of Louisiana System met in regular session on Thursday, May 25, 2000, in the Auditorium, State Office Building, First Floor, 150 Third Street, Baton Rouge, Louisiana.

The meeting was called to order by Chairman Andre Coudrain at 3:10 p.m. and opened with a prayer by Dr. Smith. The following roll call was recorded:

PRESENT:

Mr. Andre G. Coudrain, Chairman
Mr. Carl Shetler, Vice Chairman
Dr. Edward B. Anders
Mrs. Elsie P. Burkhalter
Mr. Robert C. Davidge
Mr. T. L. "Teddy" Duhé
Mr. Gordon A. Pugh
Mr. Winfred F. Sibille
Dr. Eunice Wicker Smith
Mrs. Carroll W. Suggs
Mr. Michael H. Woods
Mr. David Wright

ABSENT:

Mr. Herman Gesser, Jr.
Mr. Tex R. Kilpatrick
Mr. TiJean Rodriguez

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Chairman Coudrain explained that this special meeting was called to address matters pertaining to the Legislative Audit report for fiscal years 1998 and 1999 for Grambling State University (GSU).

Agenda Item D.

Review of Legislative Audit report for fiscal years 1998 and 1999 and financial operations of Grambling State University

Chairman Coudrain introduced Dr. Dan Kyle, Legislative Auditor, who introduced Mr. Robbie Robinson, Assistant Legislative Auditor and Director of Financial and Compliance Audit Division; Ms. Devery Pierce, Assistant Director of Financial and Compliance Audit Division; and Ms. Jenifer Schaye, Legislative Auditor General Counsel.

At Mr. Coudrain's request, Dr. Kyle, Mr. Robinson, and Ms. Pierce presented Grambling State University's Fiscal Years 1998 and 1999 Legislative Audit Report.

Dr. Kyle explained that he issued an audit report on December 3, 1997 regarding Grambling State University for the year ending June 30, 1997. It was an unqualified opinion and included only two reportable findings. He further explained that, based on this December 3, 1997 audit, he had moved GSU to a two-year audit cycle, similar to several other System universities. The audit report to be presented was the first from that two-year cycle.

Dr. Kyle reported that, after more than 1,000 additional hours of audit review, exhausting his office's resources and delaying the start of the Fiscal Year 2000 audit for the University, he had to report to the Board that his office was unable to offer an opinion on the University's financial statements. He stated that this disclaimer for Fiscal Years 1998 and 1999 indicated that an opinion could not be offered, which meant that no assurance could be offered on the financial statements as presented by the management of the University. He stated that his position was a result of the University's accounting records not begin complete and containing major inadequacies. The disclaimer was also based on concerns relative to the integrity of University management and its association with the Grambling State University Foundation presently in bankruptcy.

The Board discussed the statement as presented by Dr. Kyle and addressed questions on corrective measures and the integrity of management at Grambling State University.

Dr. Kyle further explained that the question regarding the integrity of management at Grambling was not entirely a reflection on President Favors, but also referred to control systems, as well as other factors.

Mr. Robinson presented the following twelve (12) reportable conditions and findings included in Appendix B of the Audit Report that were listed as material weaknesses:

1. Failure to Disclose Assets to Bankruptcy Court

   The University held $111,790 that was payable to the Grambling State University Foundation, making the funds unavailable for distribution to other creditors in the Foundation's bankruptcy proceedings.

   Mr. Robinson explained procedures and issues that were discussed at the Grambling State University Audit Entrance Conference held on June 9, 1999. He explained that questions were addressed concerning the Foundation, the situation, any proceeds from the Bayou Classic (jointly held with Southern University), and checks payable to the Foundation that were withheld in order to be redirected to other organizations. He explained that it was suggested that University management should seek legal counsel for the action they took regarding these checks.

   Mr. Robinson further explained that although management was aware that the Foundation had filed for bankruptcy, the University had sent these three checks back to the vendors on July 27, 1999, and requested that these checks be reissued to other University-related organizations. He indicated that his office was concerned that there may have been an intention to withhold checks from the Foundation's bankruptcy proceedings in order that these would not be available for distribution to creditors during the bankruptcy process. It was recommended to the University that any other assets or amounts payable to the Foundation of which they were aware be referred to the bankruptcy court.

   Mr. Robinson explained that audit findings were listed in order of significance.

   Mr. Jindal asked Dr. Kyle to explain why this finding was the most important and to explain the impact on the financial statements.

   Dr. Kyle explained that the impact occurs when checks made to the University are deposited in the Foundation. He said he knew that all the revenue for the University had not been included in the financial statement. He also said that "from an audit perspective, that lets us know that we don't have the total universe to draw a sample from, and when we have checks made to the Foundation that were intentionally withheld, this could appear to defraud the bankruptcy. So that causes the Legislative Auditor's office to wonder about the legitimacy of the decision to withhold these checks, and to try to get them made back to the University. It may have clearly been an attempt to try to salvage the assets of the University, but it could have been an illegal act on the part of management."

   Mr. Robinson also explained that auditors are usually presented with records and with documentation supporting those records. He said, "The greatest concern that we have is with the completeness assertion. It is very easy to audit what is there. We can look at one hundred percent of the documents and, as you may know, auditors generally look at a small percentage of the overall documents. Whenever there is a concern for completeness, the completeness relates to whether or not everything is there that should be included in the records of the University including the assets and receipts of disbursements. When we find a situation, such as Dr. Kyle has just mentioned, when we find a check payable to the University that was not included within the receipts and not included within the representation of management, it is probably the greatest fear that an auditor has. Before we issue an opinion, we have to feel comfortable that everything has been presented; everything is included in these financial statements before that opinion is placed on those financial statements."

Mr. Coudrain asked that Dr. Kyle explain the concerns of his office regarding checks that should have been properly deposited into University accounts that may have gone to the Foundation or other affiliated organizations.

Mr. Robinson explained that when given the opportunity by the bankruptcy trustee of the Foundation to review several files in their possession, his office reviewed three files. He stated that two of the three files included two checks payable to the University, but deposited in the Foundation. A deposit slip from the Foundation was included with the copy of those checks.

Mr. Coudrain questioned if this finding and the issues regarding the check have implications on the 2000 audit.

Dr. Kyle also explained that his office was in the process of reviewing records of the Foundation presently in bankruptcy.

Mr. Robinson explained that there is a Tiger Fund that has been established in the University's chart of accounts, and it is the understanding of the Legislative Auditor's office that it is within the restricted funds of the University. He said, "So we would expect that as we audit that particular fund we may see some similar type transactions that are within the Tiger Fund, which are included in the financial statements. Our biggest concern as we have indicated, I guess, is probably one of the issues that we covered when we had this entrance conference, was that there is an accounting standard, called the GASB 14. GASB (Governmental Accounting Standard Board) #14 relates to these affiliated organizations. If you assert certain control or if you have control over use of those funds within those organizations or if you exert management control over those organizations, then consideration would have to include those within the financial statements of the organization. We discussed these issues with the President, made him aware of the issues, and made the comptroller and the Vice President aware of these issues. They decided not to include those organizations within the financial statements. Now here is what happens to 2000, since this question was raised. We have other organizations such as the Athletic Foundation, the Alumni Organizations, and the Tiger Fund, as I mentioned, which would be included in this upcoming audit. We do have concerns that there is a possibility, now we have evidence, but we do have a concern if GSU checks were directed to the Foundation that is in bankruptcy, is it possible that checks that were also sent to these other organizations which would not be susceptible or included in our audit. So we do have that concern as we go forward in the year 2000 and we, as auditors, will have to get some assurance that those organizations are not holding checks payable to the University. So we would have to cover that in this current audit as well."

Mr. Shetler asked, given the funds owed to the Foundation, whether it was necessary for the Foundation to declare bankruptcy.

Dr. Kyle explained that his office could not address that issue specifically, but state, "I think you have a very valid point. When there hasn't been an adequate accounting of what belongs to the University or what belongs to the Foundation, it could be that the Foundation was in fact not bankrupted, which would be a fraudulent bankruptcy. That is not for me to determine, but by the same token you may have more University funds in the Foundation than you have Foundation funds in the University, so that remains to be seen." He said it would be up to the bankruptcy court to determine if there was criminal intent.

Mr. Jindal asked for suggestions regarding the checks and as to how the University should proceed with the Foundation.

Dr. Kyle agreed GSU should not take actions regarding the Foundation until his review is complete. Dr. Kyle said that he will make available to the Board the Legislative Auditor's report after records have been reviewed. He also said he would keep the Board informed about his progress.

Mr. Coudrain explained that Dr. Favors had asked for some statements from the Foundation, that they had not been received in a timely fashion, and that may have precipitated some of this. He also said that the Legislative Auditor's concern was with assets as they relate to Foundation money, University money, and how all that flows.

Mr. Pugh then asked for clarification on Dr. Kyle's statement on "integrity of management" and if it related solely to the finding that was being discussed.

Dr. Kyle confirmed that once he has presented a comprehensive view of all the findings, then it will be appropriate to go back and address the integrity of management issue. He stated that there were some other factors to be addressed within the report before an action chronology could be given.

Mr. Coudrain explained that President Favors did not try to hide these checks and reported these checks at the entrance conference. As had been stated, "Dr. Favors said, Well, I have these checks. What do I do with them?" Dr. Kyle stated that his response was "You may want to seek legal counsel."

Dr. Kyle stated that it was almost a year ago that he had suggested that President Favors seek legal counsel. Because nothing had been done, it was of concern to Dr. Kyle's office. He further explained that this was not an integrity question that Dr. Favors had tried to intentionally hide these checks or that he had them in his possession.

Mr. Robinson stated the Legislative Auditor's office has had concerns regarding the Bayou Classic – the event itself and the distribution of the proceeds of the event – and that is what led into this issue. He said he obtained information from Southern University accounting for the gate proceeds and everything else relating to the sponsorships and the corporate sponsorships. His office contacted the University after being made aware of what SU had received from one of the corporate sponsors. The University was questioned about the check GSU should have received. He said, "We asked questions regarding who actually put this event on, how many employees from the Foundation are involved, and everything else. The Legislative Auditor's office is now trying to work with our legal counsel to give us legal advice as far as our office's position on the proceeds of the Bayou Classic, and hope to have clarification for the 2000 audit on where proceeds from this function should be placed, in public funds or private foundations."

2. Weaknesses in Controls Over Movable Property

   The University did not comply with its internal control policies and procedures over movable property.

   Mr. Robinson stated that virtually every agency or university that is audited has problems with movable property. He referenced the thirty (30) items that could not be located, and two of the 30 items were identified in different departments; that questions accountability. He stated that the most important issue resulted in a review of the University Police report which indicated thefts of 88 pieces of missing property; 30 of those items totaled over $28,000 and 50 items did not have a dollar value and "no forced entry" which indicates lax security by staff or possible inside involvement.

   Mr. Jindal asked whether, given the University response, the Legislative Auditor's office expected this to be a repeat finding. He also asked whether the Auditor confirmed that the University's corrective actions had been implemented.

   Mr. Robinson explained that the normal duties of the internal auditor have been non-existent because the internal auditor is not currently functioning in the auditor's position. He indicated that Grambling State University has a good internal auditor who was helping with the financial situation. The internal auditor's position should give assurances that corrective measures have been implemented in Fiscal Year 2000 to prevent a repeat finding. Mr. Robinson also indicated that until the internal auditor is functioning, this finding might reoccur as a 2000 finding, especially since it is so late in the fiscal year. He noted his office would verify the corrective actions have been implemented in the Fiscal Year 2000 audit.

Mr. Coudrain emphasized that the University is in need of an audited financial statement for SACS reaccreditation.

Dr. Kyle said he was disappointed when his office was unable to issue an opinion.

Chairman Coudrain complimented Ms. Phyllis Spragin (formal Internal Auditor, now Interim Comptroller) for performing her job as Internal Auditor and catching some of the problems as they occurred. Dr. Kyle agreed.

Mr. Jindal asked what prevented Dr. Kyle’s office from issuing an opinion on 1998.

Mr. Robinson explained that his office sought to have an opinion for 1998. He noted that 1997 was a good year, and most of the problems were in 1999, not 1998. Since the University could not provide documentation for the beginning balance for a restricted account in 1998, the auditors were ready to issue a qualified opinion. However, the fact that the University did not share information about the checks payable to the University and deposited in the Foundation during its exit conference prevented them from issuing an opinion and caused the disclaimer. Mr. Robinson stated that the additional check information was not included in the report, but that his office had copies of checks and the deposit slips from the Foundation.

Dr. Kyle explained that an opinion for Fiscal Year 2000 could not be rendered unless the University can establish good beginning balances.

3. Failure to Collect Required Student Technology Fees

Mr. Robinson stated that this finding was a result of the Internal Auditor’s work on campus. He also stated that it reflected that the University did not assess the required student technology fee. The Student Government Association instituted a maximum fee of $60 per student per semester. According to the internal audit report dated December 2, 1998, during the summer 1998 semester, students were charged a maximum of $30 instead of the required per hour rate up to the approved $60 maximum. This cost the University approximately $17,520 in lost revenues. The decision was made by the senior business manager, Mr. James Ard.

Mr. Robinson commended the University of Louisiana System for its effective internal audit functions. He noted this was a one-time and self-identified finding.

4. Scholarship violations

   The University did not have adequate controls in place to ensure that non-federal scholarships and fee exemptions/waivers were awarded to eligible students in authorized amounts and in accordance with applicable criteria.

   The University's internal auditor identified these violations. He also stated that, because of the internal auditor, this had not been a problem a few years ago. Mr. Robinson complimented University of Louisiana System Internal Auditors and indicated that since the State Audit was issued a few years ago, these problems have not reoccurred. He noted this finding was self-identified. He also noted these findings were not relatively important.

5. 1999 Financial Accounting and Reporting Deficiencies

   The University had not maintained a knowledgeable and competent accounting staff, which resulted in a catastrophic failure in the financial accounting and reporting process for the year ended June 30, 1999. The University's conversion to a new computerized financial accounting software, for which the accounting and Information Services employees were not fully trained and prepared, resulted in the preparation of financial statements that were not supported by reliable financial records nor prepared in a timely manner.

   Dr. Kyle explained that at the entrance conference on June 9, 1998 his office was not told of this computer situation and this is one of the things that caused him to question the integrity of management. He stated that he was not saying the President intentionally withheld this information, because he may not have been aware of it himself, but someone on the management team had to know that this situation existed. He indicated that after several months into the audit process his office pulled out and became suspicious.

   Mr. Robinson also reported that management's response to the problem was not assertive. He stated that the accounting staff was made aware of this problem in early May 1999. The audit staff was not told until July 8, 1999, and that was when President Favors indicated in his response that he learned of the situation.

   Mr. Robinson also reported that the financial statements were not submitted to the Division of Administration, Office of Statewide Reporting and Accounting Policy by the deadline of September 1, 1999. Mr. Robinson noted the University did submit two statements to the Division of Administration in September 1999, but that neither report contained balanced figures and thus could not be accepted. He reported that on December 14, 1999, the University issued its financial statements and acknowledged that these financial statements contained estimates and adjustments. He agreed the University noted the statements were estimates, but the University did not work in December 1999 to perform needed reconciliations.

Dr. Kyle indicated that GSU has more than one year of bank accounts that were not reconciled as of February 2000.

6. Inadequate Documentation to Support the 1998 Financial Statements

   The University financial statements for Fiscal Year ending June 30, 1998, did not have adequate supporting documentation that was readily available to match the financial statements to the University's accounting records.

   Mr. Robinson also indicated that documentation was not available to document adjusted balances. He also stated that as indicated in the completeness assertion, when the Legislative Auditor's office could not find records or support documents, this raised concern and the status of nine checks could not be determined.

   Mr. Robinson also indicated that the 1998 year audit was good except for the missing documentation. The missing documentation impacts beginning balances for the 1999 audit.

   This finding reported that there were some restatements from June 30, 1997 to July 1, 1997 which was the beginning of the 1997-1998 fiscal year. The 1997 fiscal year had been audited and the beginning balances that were audited were changed by GSU for 1998. There was a $130,381 adjustment made to the Restricted Fund, and neither the Legislative Auditor's office nor former University finance personnel was able to identify why the adjustment was made. One of the reasons 1998 would have been qualified was due to that amount. There was a lack of documentation of the process.

   Dr. Kyle indicated that the adjustment could have been appropriate and his office had talked with staff, but the documentation must be complete in order to move forward to obtain correct starting balances.

7. Inadequate Information Systems Controls

   The University had weaknesses within its information systems (IS) operation. The University lacks the capacity to provide Information Systems support and controls for the Banner accounting system. Banner, a software product from Systems and Computer Technology (SCT), has been the primary accounting software used by the University since July 1, 1998.

Dr. Kyle noted the University exerted efforts, but the data could not be reconstructed. He said the two systems should have been paralleled. Mr. Coudrain asked how the University could correct this to move forward.

Mr. Robinson indicated that his office only makes the report; the University has to work on corrective measures and establish a starting point. Dr. Kyle noted that auditors were aware the data was missing and would not hold that against the University, but starting balances will be important.

The Board discussed possible solutions to reconcile the four months of missing data and discussed the functions of Postlethwaite and Netterville, the CPA firm contracted to work with the University to resolve the issues of bank reconciliations, and to collect appropriate data to establish starting balances were the two most important steps regarding the 2000 audit.

8. Transaction Deficiencies

The University has significant weaknesses in its controls related to cash disbursement, cash receipt, payroll, and journal vouchers transactions, resulting in increased risk that financial statements will contain significant errors and an increased risk of misappropriation of funds.

Mr. Robinson reported that all cash disbursement checks issued for Fiscal Year June 30, 1999, that were equal to or greater than $50,000, were examined and equaled 98 checks totaling $13,078,581. He further stated that management could not provide any supporting documentation for 20 of the 98 checks (a 20.4% error rate) totaling $3,167,179. Ms. Suggs questioned how large checks could have been written without signatures from the CFO and President. Mr. Davidge asked if the missing documentation meant missing dates or missing checks. Mr. Robinson noted there had been no management response to share documentation on the checks identified. He also noted he did not have all the supporting documentation with him.

9. Lack of Bank Reconciliations

The University failed to reconcile its bank accounts in a timely manner, resulting in an increased risk of misappropriation of funds, inability of management to determine its true financial position, uncertainty of compliance with the appropriation act, and loss of approximately $26,250 in interest earnings.

Mr. Robinson stated that the Legislative Auditor’s office reviewed journal vouchers that occurred at year-end to give assurances that there were no inappropriate transactions that occurred between funds. He noted his serious concerns about year-end journal vouchers at all schools.

10. Thefts and Misappropriation of Funds

    During the two years ended June 30, 1999, multiple thefts totaling approximately $38,725 occurred on the Grambling State University campus.

    Mr. Robinson reported that felony thefts, including the thefts listed in the report, were not reported to the Parish District Attorney. In response to questioning, he noted he would share this information with the District Attorney.

11. Weaknesses in Inventory Controls

    Mr. Robinson stated that this finding addressed weaknesses in controls that exist and that his office recommends that the University look at these areas and make improvements. Mr. Robinson also noted that management turned bookstore operations over to a contractor in January 1999. The contractor, exclusive of University personnel, conducted a count of existing inventory and provided a listing to GSU in February 1999.

    Mr. Robinson explained the finding to the Board, and Dr. Kyle, Mr. Robinson, and Ms. Pierce answered questions from Board members.

    Mr. Jindal asked whether the Legislative Auditor's office was confident that the persons identified in connection with the cited thefts were no longer on the University's campus.

    Mr. Robinson stated that all issues were not clear and that this is a common act on other campuses and state agencies. His office urged that each campus practice limited access to cash to ensure accountability.

12. Failure to Obtain Signed Contracts

    The University did not have signed contracts with vendors who managed the bookstore and food service operations for more than six months after operations began. Mr. Robinson indicated that the Legislative Auditor's office recommended that signed contracts should be in place prior to beginning operations.

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Dr. Kyle asked that he be allowed to address chronology on concerns and disclaimers based on integrity of management. He emphasized that he wanted to make clear that his questioning of management's integrity was "not intended to be an indictment against President Favors." The Board discussed the integrity question with Dr. Kyle. Dr. Kyle noted no exceptions were noted in management's representation letter twice, despite the fact his office had documents concerning the Foundation, and this caused him to question Grambling State University management's completeness assertion. He noted the following incidents caused him to question GSU management's integrity:

(1) The missing data from July 1, 1998 to October 1998 was discovered by the auditor on July 8, 1999 after being on campus fifteen weeks. He noted this should have been disclosed by GSU management.
(2) University funds were deposited in the Foundation at the direction of management and not disclosed by GSU management or included on statements. His staff distributed documents showing GSU management sent two checks that should have been deposited in University accounts to the Foundation.
(3) Bank reconciliations were discussed in August 1999, but the auditors only learned in February 2000 from GSU that no system was in place and that bank statements were not reconciled.
(4) Auditors were told by GSU management that the bookstore inventory was not material, but it represents 30% of total inventory.

He said he "could not get accurate information" and "cannot rely on management attestation." He said GSU management may not have been aware of the seriousness, and may overcome the integrity issue if they understand. He said the questioning of integrity is an indictment of management. A private CPA would walk away from such a client, but he does not have that option.

He noted checks being withheld might be illegal; he could not say why this was done. He noted University dollars were put in the Foundation with the chief fiscal officer's knowledge. He said this might have always been done. He noted he could not tell the Board if there was an intentional criminal act. In response to a question from Mr. Davidge, Dr. Kyle said he was not ready and did not want to answer if there was fraud. He noted questioning integrity does not necessarily mean he was misled intentionally.

He indicated that he has much confidence in Postlethwaite and Netterville. Dr. Kyle said that there were two expressions he used in this report that he had not used in prior audits of state agencies. These were his questioning of (1) "the integrity of management" and (2) "the competence of staff." He stated that he knows "the Board takes this report seriously and I have confidence" that all of these findings will be properly addressed.

After discussion and questions from the Board, Dr. Kyle clarified that his office has concluded that if Grambling State University and Postlethwaite and Netterville can satisfy the Legislative Auditor's office that the assets, liabilities, and funds balances at the beginning of the year are correct, it would be possible for an audit opinion to be issued for Fiscal Year 2000.

Dr. Kyle commended the University for hiring the Postlethwaite and Netterville accounting firm.

Mr. Robinson stressed the deadlines for the Fiscal Year 2000 audit, and the need for the University to institute corrective actions and hire competent staff, and stated that these are concerns of the Legislative Auditor's office facing the next audit report. He noted it was late in May to be hiring competent staff and late to be fixing Fiscal Year 2000 issues. He said that means eleven months were done with existing personnel; "That is scary."

After further discussion, Mr. Jindal asked Dr. Kyle to keep the Board informed of his staff's investigative report regarding procedures at Grambling State University and the Foundation.

Dr. Kyle thanked the Board for allowing his office to present his report for Grambling State University.

Mr. Coudrain and Mr. Jindal thanked Dr. Kyle and his staff for their presentation.

Agenda Item E.

Discussion of management of Grambling State University

Mr. Duhé noted he did not want GSU to receive another audit like this one. Dr. Anders noted it might be necessary for the Board to "micromanage" GSU, even though the Board has said it does not want to micromanage the universities.

Having received the report to the Board from Dr. Kyle on Grambling State University's Legislative Auditor's Report, Chairman Coudrain read the attached statement. ***(See Attachment 1)***

The following recommendations were contained in Chairman Coudrain's statement:

1. President Steve Favors was directed to give a detailed report with timelines and measures concerning Grambling's fiscal operations. This report should address corrective actions on the findings shown in the Legislative Audit Report and assurances that listed corrective actions are currently in place; the implication of these audit findings on Grambling's current fiscal operations; and the implication of these audit findings as they relate to a successful completion of the FY 2000 audit.

2. President Steve Favors was also directed to submit detailed work plans to address the following themes:

    a. Hire a permanent chief financial officer;

b. Assure timely delivery of reconciled and fully-balanced year-end financial statements to the Division of Administration and report on the progress of completing the May 31, 2000 trial closing;
c. Achieve a successful FY 2000 audit and attain adequate beginning balances for FY 2000 and monthly reconciliations that are needed for that audit;
d. Provide assurances to the legislative auditor that no state funds are in private foundations and affiliated organizations for FY 2000;
e. Secure SACS reaffirmation in December in all areas, with particular emphasis on the fiscal aspects of what SACS needs for that reaffirmation;
f. Provide bi-weekly updates to the Board's Grambling State University Advisory Committee and the Legislative Auditor on specific fiscal goals and specific progress on achieving these goals.

The Board recommended that a second meeting be scheduled in about two weeks to discuss and receive GSU management responses to the Fiscal Years 1998 and 1999 Legislative Audit Report.

President Favors thanked the Board for allowing him to address the Board regarding the audit findings. He assured the Board that after receiving the Legislative Auditor's Report he will continue to work to submit a report that the Board of Supervisors will find acceptable. He stressed that he does not feel that he has done anything criminally wrong as it relates to saving money for the benefit of the University. He stated that he assumed that the missing data was a result of deliberate sabotage by personnel.

On motion of Mrs. Burkhalter, seconded by Mr. Wright, there being no further business the Board adjourned at 5:48 p.m.

Attachment 1

Statement by ULS Board Chairman Andre G. Coudrain

Let me say a few things that I think are important points about this audit, Grambling State University, GSU's leadership and GSU's future.

I want to state first and emphatically that this Board supports Grambling State University and we are committed to the goal that Grambling will resolve its challenges and will prosper as a vibrant, four-year university and will maintain an excellent state and national reputation.

It is worth reminding ourselves that Grambling is a world-renowned institution of higher learning that has graduated some of the world's top business, industrial, musical and athletic stars. Given Grambling's rich legacy and its many contributions to the arts, sciences, humanities and sports, this audit report is especially troublesome.

Grambling should not settle for less than an excellent performance and accountability in all areas – especially in an area as fundamental as sound financial and business practices. To do so, shortchanges Grambling's overall positive legacy and threatens its prosperous future.

Fundamental to Grambling's continued success is the conduct of its financial operations, according to generally accepted accounting procedures and principles. Proper business practices, fiscal controls and audit trails are fundamental and must be in place in any organization that handles money, especially an organization that handles taxpayer and student dollars.

Today's audit speaks of a Grambling financial operation that has been seriously lacking. GSU's current management is responsible for a turnaround in this area, and it is clear that Grambling's management has serious work to do in the fiscal arena. That fiscal work must be given top priority to ensure Grambling's success.

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Statement by ULS Board Chairman Andre G. Coudrain

The task before the Board today was to hear the testimony of the Legislative Auditor. We appreciate the extra effort Dr. Kyle and his staff have put into their work. We appreciate the work of the Grambling Advisory Committee, the system staff and their work in assistance with the Legislative Auditor and Grambling to aid the audit process wherever appropriate and possible.

But ultimately, it is Grambling's responsibility as a state agency to be accountable to taxpayers, faculty, students, parents, alumni, other state and federal agencies, and others who want and deserve a healthy, responsive university.

In fairness to Board members and to Grambling, today is the first time the audit has been available for review, and today's meeting is the first time we have considered the audit results. Board members should be able to further study Dr. Kyle's report, and we should reconvene in about two weeks – a date to be determined sooner, not later – to hear more from Grambling's management.

Dr. Favors, at that meeting, we ask that you give us a detailed report – with timelines and measures – about Grambling's fiscal operations. We are especially interested in your addressing three main points:

1 - corrective actions on the findings shown in this audit and assurances that those correction actions are currently in place;

2 - the implication of these audit findings on Grambling's current fiscal operations;

3 - the implication of these audit findings as they relate to a successful completion of the FY 2000 audit.

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Statement by ULS Board Chairman Andre G. Coudrain

In particular, you should address these themes, in part, by being prepared to fully brief this Board on what Grambling is doing and will do to:

1 - Hire a permanent chief financial officer;

2 - Assure timely delivery of reconciled and fully-balanced year-end financial statements to the Division of Administration and report on the progress on completing the May 31, 2000 trial closing;

3 - Achieve a successful FY 2000 audit and attain adequate beginning balances for FY 2000 and monthly reconciliations that are needed for that audit;

4 - Provide assurances to the legislative auditor that no state funds are in private foundations for FY 2000 (if necessary, hire private legislative auditor-approved CPAs to certify);

5 - Secure SACS reaffirmation in December, with particular emphasis on the fiscal aspects of what SACS needs for that reaffirmation;

6 - Provide bi-weekly updates to the Board's Grambling Advisory Committee and the Legislative Auditor on specific fiscal goals and specific progress on achieving these goals.

Dr. Favors, please note that the Board will expect nothing less than detailed work plans with performance measures by which your leadership will be gauged and evaluated. Today, we have concerns about fiscal leadership on your campus, and your responses to these important questions will be most important as the Board determines its next steps.

I ask that the system staff schedule a follow-up meeting in the next few weeks at a date most convenient to Dr. Favors and Board members to receive your report.