

MINUTES

SPECIAL MEETING

BOARD OF SUPERVISORS FOR THE UNIVERSITY OF LOUISIANA SYSTEM

June 12, 2000
Baton Rouge, LA

The Board of Supervisors for the University of Louisiana System met in regular session on Monday, June 12, 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 2:05 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. Tex R. Kilpatrick
Mr. Gordon A. Pugh
Mr. TiJean Rodriguez
Mr. Winfred F. Sibille
Dr. Eunice Wicker Smith
*Mrs. Carroll W. Suggs
Mr. Michael H. Woods
Mr. David Wright

ABSENT:

Mr. T. L. "Teddy" Duhé
Mr. Herman Gesser, Jr.

*Mrs. Elsie Burkhalter and Mrs. Carroll Suggs arrived shortly after the roll call.

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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.

Agenda Item D.

Grambling State University's responses to legislative audit report for fiscal years 1998 and 1999 and overview of the University's financial operations.

Chairman Coudrain asked President Steve Favors to present the University's response to the issues presented by the Board and to the audit findings. President Favors acknowledged that in attendance were vice presidents and university managers that comprise the University's Response Team, community leaders, concerned citizens, faculty leaders, and Mr. James Bradford, President of the Grambling State University National Alumni Association.

President Favors explained that he and his staff had prepared a PowerPoint presentation outlining responses to the six items outlined in the letter received from Chairman Coudrain and a summary response from the assigned University's Response Team members to each audit finding included in the 1998 and 1999 Legislative Audit Report.

The issues and the University's responses were as follows:

1. ***Hire a permanent chief financial officer.***

President Favors informed the Board that a job description has been developed, national advertisements for the position have been conducted, a search committee has been formed, 24 applications have been received, five finalists have been selected, and interviews are scheduled to occur June 20–21, 2000. He stated that a decision will be made immediately following the interviews.

2. ***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.***

University personnel have developed an end-of-year closing schedule and progress is ongoing and monitored daily by the Comptroller and the Acting Vice President for Finance. The University's finance department has reviewed year-end-closing procedures received from the Division of Administration to verify that the University is in compliance with those guidelines. University personnel will prepare the June 30 annual financial report per the University's closing schedule, and will submit a financial statement early to the Division of Administration by July 31, 2000.

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3. *Achieve successful FY 2000 audit and attain adequate beginning balances for FY 2000 and monthly reconciliations that are needed for that audit.*

The University contracted with the Postlethwaite and Netterville CPA firm that was approved by the legislative auditors. The accounting firm will produce beginning balances at July 1, 2000 for Fiscal Year 1999/2000, and will produce monthly bank reconciliations for all University accounts through June 30, 2000. The University successfully implemented the SCT Banner 2000 finance module effective October 1999, and has produced current financial statements on the new system. Extensive training has been in progress on the SCT Banner 2000 finance module in the accounting, information resources, purchasing, property control, budget, and grants administration departments since October 1999.

4. *Provide assurances to the legislative auditor (through a CPA firm approved by the legislative auditor, if necessary) that no state funds are in private foundations or university affiliated organizations for FY 2000.*

On June 6, 2000, President Favors requested that all affiliated organizations submit annual audited financial statements in compliance with state guidelines and provide assurances that no University funds are in private foundations for Fiscal Year 1999/2000. The University conducted a review of all private gifts and grants donated/contributed to GSU, and President Favors stressed that, to the best of his knowledge, the University has exercised due diligence to assure that no state funds are deposited in private foundations for Fiscal Year 2000.

5. *Secure SACS reaffirmation in December on all issues, with particular emphasis on the fiscal aspect of what SACS needs for that reaffirmation.*

The SACS Response Team has developed an action plan with timelines and scheduled activities required to ensure recommendations are on target. A trial closing for the period ending May 31, 2000 was conducted, to ensure that no systemic problems existed that would prevent preparation of the University's FY 1999/2000 Annual Financial Report by July 31, 2000.

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.*

University analysis and data assessment will be reported to the Grambling State University Advisory Committee on a bi-weekly basis utilizing a Progress/Assessment Report.

Chairman Coudrain asked if the revised job description included different duties from the present acting Vice President for Finance and also asked if President Favors envisions organizational changes in the finance area.

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President Favors indicated that the job description did not change, but changes to the organizational structure would include an assistant vice president for finance, increased staff within the comptroller's office, and strengthening of the internal audit office and the finance departments.

President Favors explained that the job description was developed as a result of review of other vice president positions at universities within the System. President Favors also responded that organizational structure changes could be available by the next meeting of the Board.

Mr. Pugh stressed the importance of the selection process for the Vice President for Finance. He also stressed that reorganization of the finance department should have the input of the new Vice President for Finance, once hired.

Mr. Jindal also stressed the urgency of the need for a Vice President for Finance as soon as possible and the need to reorganize the finance department.

Mrs. Burkhalter agreed that the Vice President for Finance should have input into the reorganization.

Chairman Coudrain asked if the University had completed a trial closing.

Ms. Phyllis Spragin, Interim Comptroller, explained that the University had completed a closing as of May 31, 2000 on the SCT Banner 2000 system. A test run of the year-end process in the Banner System was completed, it worked successfully, and a statement was provided to document that the system successfully completed the year-end operations.

Mr. Jindal expressed concern as to whether certain inconsistencies reflected in the University's third quarter interim financial report had been corrected, if the back-up information has been provided to the System Office, and if all the challenges identified in the trial closing have been resolved.

Mr. James E. Scott, Acting Vice President for Finance, indicated that all inconsistencies have been corrected and all back-up material will be provided. Ms. Spragin stated her assurance that the system is procedurally running successfully.

Mr. Jindal asked the University to provide the appropriate information in response to the letter received from Mr. David Nicklas of the System staff. He also explained the importance of notifying the Board of any outstanding issues that may occur at the University.

Mr. Woods expressed concern as to whether University personnel were comfortable with the Banner 2000 software.

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President Favors stated that although he is aware that several institutions are having problems with Banner, he anticipates using the Banner 2000 software for a reasonable time span while researching other options.

Mr. Winfred Jones, Acting Director of Information Resource Center, explained that the Banner 2000 Human Resource System is running parallel with the POISE System and employees are being trained on both systems.

Chairman Coudrain asked if the University has obtained adequate beginning balances for Fiscal Year 2000 for monthly reconciliations.

President Favors explained that Postlethwaite and Netterville is currently working on the trial balances and monthly reconciliations are being developed. Ms. Spragin indicated that July 1, 1999 beginning fund balances are to be provided by Friday, June 23, 2000 to be loaded into the Banner system to provide closure to fiscal year 1999.

Mr. Jindal asked if the meetings with Postlethwaite and Netterville are on-going with regard to securing beginning balances.

President Favors indicated that meetings are on-going, and he is hopeful that all numbers will be reconciled. Ms. Spragin indicated that her office is gathering information to substantiate and document the 1999 balances.

Mr. Coudrain asked if President Favors received responses from the Grambling State University Alumni Association or the Athletic Foundation to the request for the audit.

President Favors stated that he wrote both the Grambling State University National Alumni Association and the Athletic Foundation and encouraged them to comply with the requests that have been made. He further stated that he felt both organizations would submit a response.

Mr. Coudrain asked for clarification on fiscal aspects regarding SACS reaffirmation and inquired if assessments have been made regarding the reaffirmation.

President Favors explained that the University's response team, chaired by Mr. Curtis Baham, is on target with responses to the 30 findings and recommendations noted in the SACS report. President Favors also indicated that the University is in good standing with SACS, but explained there are five options that could be considered by SACS if responses are not acceptable. He explained that it is his understanding that the Financial and Compliance reports issued by the Office of the Legislative Auditor will be acceptable; however, the report for FY 1999/2000 must indicate that problems noted in the FY 98 and FY 99 reports have been corrected.

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Mr. Curtis Baham, Executive Director of Institutional Effectiveness, and who also served as the Director of Institutional Self Study during the SACS review, explained that recommendations from SACS on the audit included completion of the audit and providing a copy of the audit to SACS. He further explained that the University personnel would present a copy of the audit report on September 8, 2000.

Mrs. Suggs requested a clarification on the recommendations received from SACS.

President Favors indicated that SACS made over 30 recommendations concerning academic programs, business affairs, library improvement, increased staff, and inadequate staff.

Mrs. Burkhalter requested clarification on the types of recommendations submitted by SACS, and asked if the recommendations required Board consideration.

Dr. Neri Warner, Provost and Vice President for Academic Affairs, indicated that several recommendations involved capital outlay recommendations that would require Board and Legislative approval as well as additional funding to complete. Dr. Warner also explained that the Desegregation Agreement has and will continue to provide funding, where applicable, for several successful SACS recommendations.

President Favors indicated that members of the University Response Team will present University recommendations to each audit finding.

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. James E. Scott, Acting Vice President for Finance, indicated that President Favors was in contact with the System legal counsel and public disclosure was made to the bankruptcy trustee. All funds have been submitted to the bankruptcy trustee.

Mr. Woods asked if the University can hire an auditor to audit the Bayou Classic. Mr. Winston DeCuir, the Board's legal counsel, explained that the Bayou Classic is a university event and therefore auditable, but that some related agreements executed between the University and affiliated 501c(3) organizations and resulting transactions with outside contractors may not be public records subject to public audit.

Mrs. Burkhalter asked if there are other activities held at System Universities that are similar to the Bayou Classic. It was indicated that there are none similar in scope.

2. Weaknesses in Controls Over Movable Property

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

Ms. Johnnie Williams, Director of Property & Receiving, explained that the University has developed a plan to correct procedures with regard to monitoring movable property inventory. The University police department will conduct training with regard to reporting stolen property. Two of the missing inventory items have been located and documented. All items not found will be reported as stolen.

Dr. Smith asked if theft reports were made to the District Attorney's office.

President Favors indicated that all thefts were reported through the police department to the District Attorney's office and corrective procedures for tracking inventory and reporting missing or unaccounted inventory are being recommended.

3. 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.

Mr. Barry Delcambre, Vice President for Enrollment Management, and Ms. Alvina Thomas, Director of Financial Aid, explained that the awards in question were identified through self-audits, and corrective procedures have been implemented. He also announced that the University has established a scholarship office to document, monitor, correct, and post all types of scholarship agreement forms and awards. Ms. Thomas announced that the Financial Aid awards are expected to be processed on Banner 2000 by the Fall of 2001.

Mr. Rodriguez asked if Banner would decrease the financial aid and scholarship awarding problems.

Ms. Thomas explained that the upgrade of the Banner system should prove to be beneficial, and that a computerized awarding system should eliminate some of the processing and posting problems.

Mr. Delcambre explained that the disclaimer issued by the Legislative Auditor is regarding the financial statements, and should not affect financial aid awards.

Chairman Coudrain asked that clarification of the award procedures be addressed and copies of the federal audit be made available to the Board at its next meeting.

4. **1999 Financial Accounting and Reporting Deficiencies**

The University has 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.

Ms. Spragin explained that the University lost five critical accounting personnel in 1999, and the University was unable to replace these key positions with the experience that was lost. She further explained that replacement personnel would be trained on the Banner system in the accounting procedures to keep updated on changes and federal and state requirements. Ms. Spragin explained that the University has not filled the bursar's position that has been vacant since 1998 or the bank reconciliation person who resigned in 1999, but that the CPA firm of Postlethwaite and Netterville has been contracted to assist in reconciling bank statements and constructing ending fund balances at June 30, 1999. The proper use of Banner should correct many of these problems in the future, and will provide sufficient backup and timely financial reports to ensure security of financial data. Ms. Spragin further explained that as a corrective measure, weekly meetings are held to discuss problems and provide immediate corrective measures. She also indicated that added training is being provided to all accounting personnel.

Mr. Jindal requested clarification on recruitment of staff in key financial positions.

Ms. Spragin explained that five key accountant positions are vacant and the positions have been advertised, but no applications were received. One bank reconciliation position was filled, but that person left after a short time.

Dr. Anders asked if the University provides cross training or backup for key positions in finance.

Ms. Spragin indicated that the shortage in personnel did not allow for cross training, but future plans are to provide for cross training in key accounting positions.

President Favors explained that recruitment for lower paying positions is a major problem.

5. 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.

Ms. Spragin explained that the 1997 audit and ending balances were approved; however, the 1998 beginning balances were different. The Office of the Legislative Auditor was unable to reconcile the adjustments due to inadequate supporting documentation. The University's fiscal management will implement controls to ensure that the financial statements will be supported by documentation that provides an audit trail.

6. Inadequate Information Systems Controls

The University has 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.

Mr. Winfred Jones, Acting Director of Information Resource Center, stated that the Information Resource Center has made modifications to the system hardware and software to meet Banner system requirements. The campus network was also modified to support Banner. Additional personnel were hired and trained to support the Banner implementation. The University provided department specific training, including general ledger, budget, purchasing, accounts payable, and general accounting functions to finance personnel. A Banner implementation Project Training Plan has been instituted. The following key database personnel have been hired to support Banner implementation and serve as liaisons to support personnel in the major areas on campus: a Database Coordinator, Database Administrator, two Programmer Analysts and a Network Technician.

Mrs. Suggs expressed concern as to the methods of securing financial records on a continuous basis.

Mr. Jones stated that software maintenance and archiving are key components for securing a database system and required dual backup. He stated that corrective measures have been instituted to secure adequate backup of daily use and archiving of all records.

A security access tracking system has been created to monitor key personnel working with the Banner system in the Information Resource Center.

7. Transaction Deficiencies

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

Ms. Brenda Willis, Grants Administrator, stated that the University has developed a policy with regards to the endorsement of incoming checks. Ms. Willis also explained that the Admissions Office, Athletic Department, and other key departments that receive checks on behalf of the University now endorse checks immediately upon receipt. She also stated that appropriate department heads, the Internal Auditor and the Supervising Vice President are responsible for monitoring progress of these check receipt procedures.

Mrs. Delores Smith, Director of Administrative Services, explained that an Office of Contractual Review will be established to review and assure compliance of all contracts with federal, state, and university regulations. The University will establish policies and procedures to regulate all contracts and to monitor all outsourcing agreements.

Ms. Ada Joseph, Budget Director, explained that the University has developed a policy on contracts to be implemented on July 1, 2000 and that pre-numbered, pre-printed invoices, and standardized contract forms will be incorporated by August 15, 2000.

Mr. Jindal expressed concern that all policies will be effective in August, and inquired about the measures being enforced to assure corrected procedures for Fiscal Year 2000.

8. 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.

President Favors explained that corrective policies and procedures have been established and are being enforced.

9. Weaknesses in Inventory Controls

This finding addressed weaknesses in controls that exist and that the Legislative Auditor's office recommends that the University look at these areas and make improvements. It was 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. Mark Blake, Acting Director of Facilities, explained that the bookstore operation has been privatized and all material and supplies belonging to the University have been separated and placed in the custody and control of the University.

On motion of Mr. Wright, seconded by Dr. Smith, the Board received the report as presented by Grambling State University personnel, thanked the Grambling family for presenting the report, and requested to take this report under advisement for further review.

Mrs. Burkhalter expressed concern for the explanations provided to the audit findings. She also requested fair treatment from the press.

Chairman Coudrain allowed the following Community and University Leaders to make their comments to the Board:

Coach Eddie Robinson, Retired Football Coach, urged the Board to continue its support and leadership for the university.

Dr. Ellen Smiley, President of the Faculty Senate, expressed concerns and support from the Faculty Senate for President Favors.

Mrs. Rosetta Days, Representative for the Coalition of Citizens in Support of Grambling State University, distributed signatures illustrating citizen support for the current leadership of the University.

Mr. Marlon Joseph, Student, and Student Government Association Vice President, expressed students' concerns and support for President Steve Favors and Grambling State University.

Rev. Dr. Ricky Helton, Pastor, expressed the united religious community support and commitment to Grambling State University.

Mr. James Bradford, Grambling State University National Alumni Association President, expressed the concerns and support of the Alumni for President Steve Favors and the University. He also expressed appreciation to the Board for its leadership. He further explained the Alumni Association's support during the audit process, and stated that the National Alumni Association

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Audit Report will be provided to President Favors upon completion of the Association's audit currently being conducted.

Agenda Item E.

Discussion of management of Grambling State University

Chairman Coudrain stressed that the purpose of this meeting was to address the inadequacies listed in the Legislative Auditor's audit findings. He expressed the Board's commitment to resolutions requiring ability and results as well as desires and commitment. He reminded Dr. Favors that upon accepting the position as President of the University, his primary responsibility was to resolve all these matters and further stressed that as President, Dr. Favors became the person ultimately responsible for the conduct of all affairs at Grambling State University.

Chairman Coudrain stated that the Board's primary concern remains as previously stated "Successful reaffirmation of accreditation by SACS."

He also stated that the Board will review the responses as provided and will reserve until the next meeting of the Board any additional comments or recommendation on all matters.

On motion of Mr. Wright, seconded by Mrs. Burkhalter, there being no further business, the Board adjourned at 5:53 p.m.