

SOUTHERN UNIVERSITY SYSTEM  
A COMPONENT UNIT OF THE  
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2007  
ISSUED MAY 14, 2008

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

April 3, 2008

Independent Auditor's Report

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the Southern University System. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Southern University System Foundation, which represents the only discretely presented component unit of the System. 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 foundation, is based on the report of the other auditors.

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 Southern University System Foundation 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 Southern University System'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 other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Southern University System as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 25 to the financial statements, on August 29, 2005, the State of Louisiana and the City of New Orleans suffered catastrophic damage from Hurricane Katrina resulting in the President of the United States declaring Louisiana a major disaster area. The Southern University System sustained significant losses of assets and operational functionality at its New Orleans campus because of Hurricane Katrina. On September 24, 2005, Hurricane Rita struck Louisiana causing further damage to state and local governmental operations. Because of the severity of these two hurricanes and the resulting damage and losses sustained, it is unknown what economic impact recovery efforts will have on state and local governmental operations in Louisiana. The long-term effects of the hurricanes on the Southern University System cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2008, on our consideration of the Southern University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Management's discussion and analysis on pages 5 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern University System's basic financial statements. The accompanying supplementary information schedules of per diem paid board members and combining financial schedules on pages 57 through 65 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Steye J. Theriot, CPA  
Legislative Auditor

STD:WDD:PEP:sr

Management's Discussion and Analysis of the Southern University System's financial performance presents a narrative overview and analysis of the Southern University System's financial activities and statements for the year ended June 30, 2007. The Southern University System has three geographically distinct institutions which include the Southern University and Agricultural and Mechanical College, Southern University Law Center, and Southern University Agricultural Research and Extension Center in Baton Rouge, Southern University at New Orleans, and Southern University at Shreveport (System's institutions). This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the System's institutions. The primary financial statements presented are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Please read this document in conjunction with the Southern University System's financial statements.

## FINANCIAL HIGHLIGHTS

The Southern University System's net assets overall changed from \$175,669,166 to \$192,011,899, an increase of approximately 9.3% from June 30, 2006, to June 30, 2007.

Enrollment for the fall semesters changed from 13,393 to 13,675 from June 30, 2006, to June 30, 2007, an increase of 2.1%. The reasons for this change are attributed to the following:

- Because of the effects of Hurricane Katrina, Southern University at New Orleans was excluded from the Board of Regent 2005-06 student enrollment requirements and therefore was not included in the System's enrollment figures last year. For fall 2006, Southern University at New Orleans enrolled 2,185 students.
- Southern University at Shreveport had a slight decrease in enrollment during the fall semester of 2006, when compared to the fall semester of 2005. Enrollment at Southern University at Shreveport decreased from 2,534 students in fall 2005 to 2,387 students in fall 2006 or by 5.8%.
- The Southern University Law Center's enrollment decreased slightly from 495 students in fall 2005 to 479 students in fall 2006 or by 3.2%.
- Southern University and Agricultural and Mechanical College at Baton Rouge experienced a decrease of 16.8% in enrollment for fall 2006. The campus attributes the decline in enrollment partially to the implementation of a selective admissions policy during the fall of 2001. In addition, a portion of the decrease in enrollment results from students who were displaced because of hurricanes Katrina and Rita, returning to their home universities of choice. For fall 2006, Southern University at Baton Rouge enrolled 8,624 students as compared to 10,364 students in fall 2005.

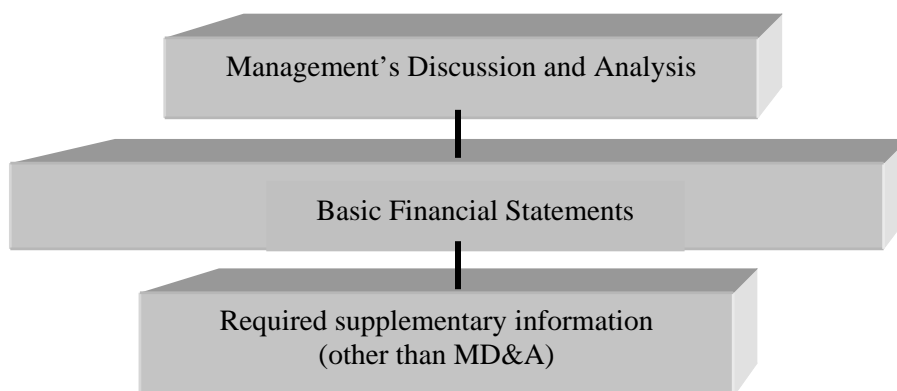
The System's operating revenues changed from \$120,202,312 to \$128,876,613 or 7.2% from June 30, 2006, to June 30, 2007. Operating expenses, however, changed by 8.9% from \$203,150,656 for the year ended June 30, 2006, to \$221,277,622 for the year ended

June 30, 2007. Some cost increases were in areas of instruction, academic support, operations and maintenance, depreciation, scholarships and fellowships, and various mandated costs.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations received from the state and other sources. The total of net nonoperating revenues (expenses) including capital appropriations was \$95,074,063 in 2006 and \$105,929,982 in 2007, reflecting an increase of 11.4%.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



This financial report consists of three sections: management's discussion and analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information, if any. The basic financial statements present information for the Southern University System as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

### Statement of Net Assets

The Statement of Net Assets (pages 15-16) presents the current and noncurrent assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Southern University System is improving or deteriorating.

From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the System. They are also able to determine how much the Southern University System's institutions owe vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the institutions.



### **Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets (pages 19-20) presents information showing how the Southern University System's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

### **Statement of Cash Flows**

The Statement of Cash Flows (pages 23-24) presents information showing how the Southern University System's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

The financial statements provide both long-term and short-term information about the Southern University System's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

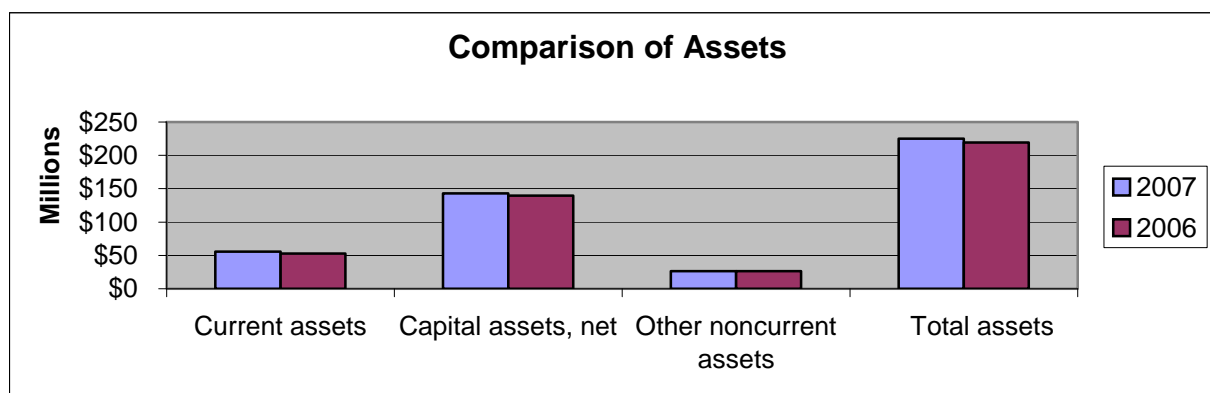
The Southern University System's financial statements are prepared on an accrual basis in conformity with generally accepted accounting principles in the United States of America as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the university are included in the Statement of Net Assets.

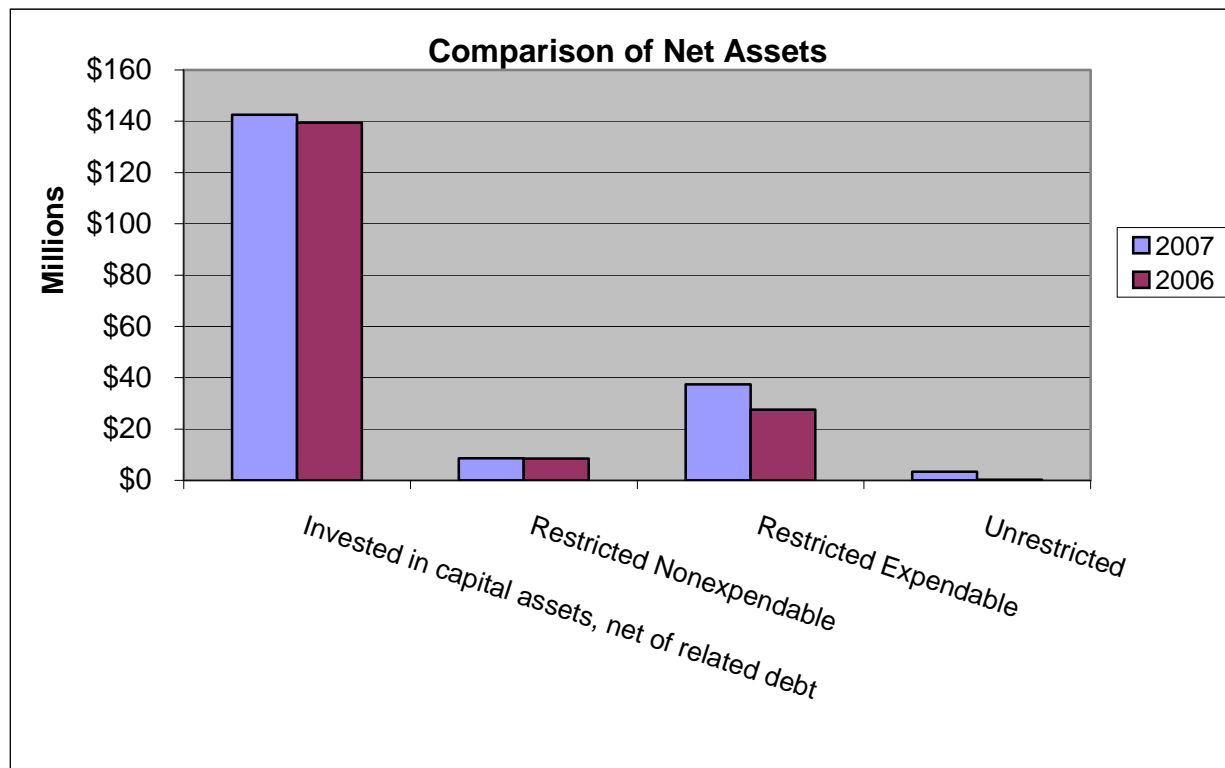
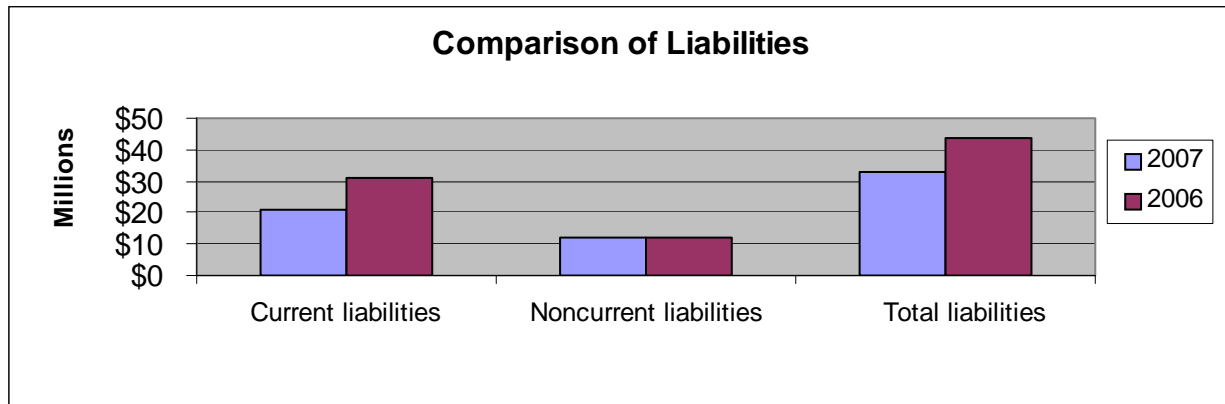
### **Categories of Net Assets**

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the total equity in property, plant, and equipment that is owned by all of the System's institutions. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net assets are available for expenditure by the various institutions but must be spent for the purposes that are designated by donors or external entities that placed the time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the institutions of the System to be used for any lawful purpose.

**Comparative Statement of Net Assets**  
**For the Fiscal Years Ended**  
**June 30, 2007 and 2006**

	2007	2006	Change
<b>Assets</b>			
Current assets	\$55,800,276	\$52,970,857	5.3%
Capital assets, net	142,790,551	139,788,494	2.1%
Other noncurrent assets	26,571,000	26,369,222	0.8%
Total assets	<u>225,161,827</u>	<u>219,128,573</u>	2.8%
<b>Liabilities</b>			
Current liabilities	21,016,693	31,177,101	(32.6%)
Noncurrent liabilities	12,133,235	12,282,306	(1.2%)
Total liabilities	<u>33,149,928</u>	<u>43,459,407</u>	(23.7%)
<b>Net Assets</b>			
Invested in capital assets, net of related debt	142,535,198	139,481,788	2.2%
Restricted:			
Nonexpendable	8,615,424	8,451,493	1.9%
Expendable	37,449,098	27,448,834	36.4%
Unrestricted	3,412,179	287,051	1,088.7%
Total net assets	<u>\$192,011,899</u>	<u>\$175,669,166</u>	9.3%





This schedule is prepared from the Southern University System's Statement of Net Assets which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

The total assets of the System increased by \$6,033,254, an increase of approximately 2.8%. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all areas of the System's institutions, to better serve the instruction, research, and public service missions of the institutions.

## Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the System's institutions for both operating and nonoperating purposes. The statement includes any other revenues, gains, expenses, or losses that were realized or incurred by the institutions during the fiscal year.

The operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. The operating expenses are those expenses incurred to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the institutions. Nonoperating revenues are revenues received for which goods and services are not provided in an exchange for the revenues received. For example, state appropriations are considered nonoperating because they are provided by the legislature to the institutions even though the legislature does not receive, directly in return, goods and services for those revenues.

### Comparative Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30, 2007 and 2006

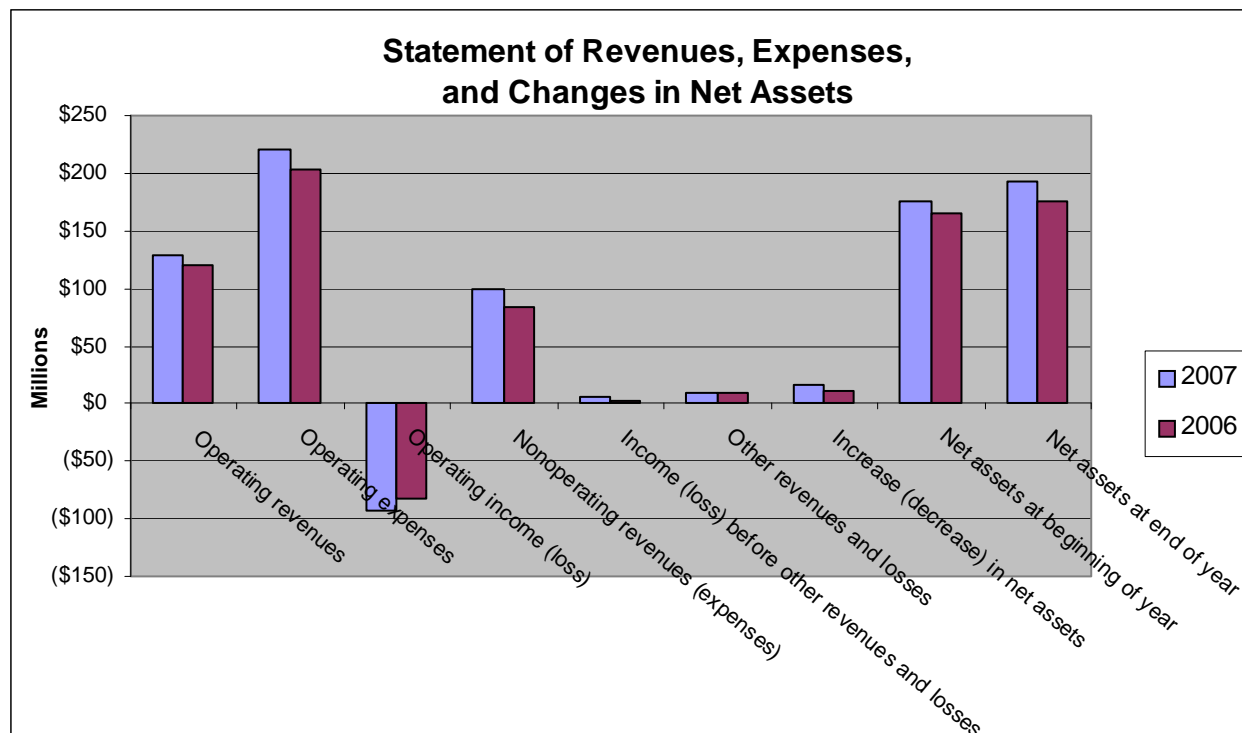
	2007	2006	Percent Change
Operating revenues:			
Student tuition and fees, net of scholarship allowances	\$35,473,866	\$35,079,200	1.1%
Federal appropriations	2,603,130	2,556,565	1.8%
Federal grants and contracts	68,278,209	62,496,176	9.3%
State and local grants and contracts	4,739,051	2,109,828	124.6%
Nongovernmental grants and contracts	71,251	5,000	1,325.0%
Sales and services of educational departments		614	(100.0%)
Auxiliary revenues, net of scholarship allowances	13,674,525	13,880,403	(1.5%)
Other operating revenues	4,036,581	4,074,526	(0.9%)
Total operating revenues	128,876,613	120,202,312	7.2%
Nonoperating revenues:			
State appropriations	88,501,812	77,402,673	14.3%
Gifts	1,621,479	2,242,800	(27.7%)
Investment income	1,962,861	1,276,914	53.7%
Other nonoperating revenues	7,053,337	4,275,556	65.0%
Other nonoperating revenues - FEMA		7,850,936	(100.0%)
Total nonoperating revenues	99,139,489	93,048,879	6.5%
Total revenues	228,016,102	213,251,191	6.9%

(Continued)

**Comparative Statement of Revenues,  
Expenses, and Changes in Net Assets  
For the Fiscal Years Ended  
June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
Operating Expenses:			
Educational and general:			
Instruction	\$54,107,012	\$52,281,220	3.5%
Research	8,794,157	8,030,657	9.5%
Public service	7,819,847	6,268,280	24.8%
Academic support	28,137,542	27,627,949	1.8%
Student services	17,980,483	17,109,549	5.1%
Institutional support	40,172,810	34,663,443	15.9%
Operation and maintenance of plant	18,410,416	15,130,533	21.7%
Depreciation	8,712,838	8,402,263	3.7%
Scholarships and fellowships	20,674,774	19,380,961	6.7%
Auxiliary enterprises	14,986,538	14,919,583	0.4%
Other operating expenses	1,481,205	(663,782)	323.1%
Total operating expenses	<u>221,277,622</u>	<u>203,150,656</u>	8.9%
Nonoperating Expenses:			
Interest expense	29,743	46,702	(36.3%)
Other nonoperating expenses - FEMA		8,379,620	(100.0%)
Net nonoperating expenses	<u>29,743</u>	<u>8,426,322</u>	(99.6%)
Total expenses	<u>221,307,365</u>	<u>211,576,978</u>	4.6%
Income before other revenues and losses	<u>6,708,737</u>	<u>1,674,213</u>	300.7%
Capital appropriations	6,820,236	10,451,506	(34.7%)
Capital grants and gifts	2,032,110	1,492,380	36.2%
Additions to permanent endowment	781,650	782,019	
Extraordinary items -			
loss on impairment of capital assets		(4,051,112)	(100.0%)
Other revenues and losses	<u>9,633,996</u>	<u>8,674,793</u>	11.1%
Change in net assets	16,342,733	10,349,006	57.9%
Net assets at beginning of year, restated	<u>175,669,166</u>	<u>165,320,160</u>	6.3%
Net assets at end of year	<u>\$192,011,899</u>	<u>\$175,669,166</u>	9.3%

(Concluded)



The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year. The net assets increased by \$16,342,733 in 2007, compared to an increase of \$10,349,006 in fiscal year 2006. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Beginning the 2001 fall semester, Southern University and Agricultural and Mechanical College at Baton Rouge implemented selective admission. In fall 2006, the university implemented additional selective admission criteria. As expected, the university experienced a decline in enrollment. Anticipating this decline, budget adjustments were made to offset the reduction in revenues to maintain a balanced budget. The impact resulting from the budget reductions that were made still poses challenges in the management process.
- The Agricultural Research and Extension Center was appropriated \$1,000,000 from the state tobacco tax funds. These funds were used to support youth programs, the Southern University Museum of Art, and the Historical District.

### **CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

The combined total of capital assets, net of accumulated depreciation at year-end, is \$142,790,551.

The Southern University System's institutions retired \$44,000 in bonds payable during the fiscal year. The institutions did not enter into any new long-term debt during the year. The total amount of long-term debt is \$12,133,235. Included in that sum are the following:

- Compensated Absences Payable - \$11,932,235
- Bonds Payable - \$201,000

For additional information concerning capital assets and long-term debt activity, refer to notes 6, 13, and 14 in the notes to the financial statements.

### **ECONOMIC OUTLOOK - SHORT-TERM**

The System's overall financial position is strong. The Southern University at New Orleans campus suffered major damages from Hurricane Katrina. Even with relatively flat funding from state sources for the fiscal year 2007 and a small increase in enrollment, the System had a modest increase in net assets. Except for the effects of the devastation caused by Hurricane Katrina, the System's management anticipates that fiscal year 2008 will be much like fiscal year 2007. Management will maintain a close watch over available resources of the System to ensure the System's ability to react to unknown internal and external issues in a timely manner.

### **IMPLEMENTATION OF ENROLLMENT MANAGEMENT PROGRAMS AND ACTIVITIES**

Aggressive steps have been taken to implement enrollment management programs and activities at each of the institutions that have academic programs. Assistance in the form of financial support and professional consultants has been provided to the four-year institutions to aid in the achievement of designated enrollment management goals.

### **ECONOMIC OUTLOOK - LONG-TERM**

There was concern within the University System regarding adequate and continuous funding to support programs that were implemented under the United States versus State of Louisiana Desegregation Settlement Agreement, which ended December 31, 2005. The base financial support for the programs was continued during fiscal year 2007.

A major portion of the Agricultural Research and Extension Center's base funding comes from federal appropriations which have a state matching requirement. Currently, both the amount of the federal appropriation and the percent of the matching requirement established by the federal government have remained stable. The matching requirement has gone from zero dollars in fiscal year 1999 to not less than 50% of the federal funds received for agricultural research, extension, and education.

An agreement reached between the state's land-grant institutions for settling land grant issues relative to programs and funding was approved at all required levels on the 10<sup>th</sup> day of

May 2006. It is anticipated that the funding for the Agricultural Research and Extension Center will be enhanced.

The Southern University System has obtained financing for various capital projects through a third-party financing arrangement with its affiliate, the Southern University System Foundation. Construction has begun on some of the projects; the total amount borrowed by the Foundation for financing the various projects was \$59,990,000.

The Southern University System is in the process of updating its comprehensive computerized accounting system. The system purchased is known as BANNER; it was developed by SunGard SCT and it consists of the Financial, Human Resource (HR)/Payroll, and Student/Financial Aid components. The entire group of BANNER applications is scheduled to be implemented within a three-year time frame. Currently, the Student and Financial Aid components have been implemented on the Shreveport campus. These components will be implemented individually on the three major campus sites; however, the Financial and HR/Payroll will be housed on the Baton Rouge campus computer and made accessible to all campuses throughout the Southern University System.

### **IMPACT OF HURRICANE KATRINA**

The Southern University at New Orleans campus suffered major damages to its facilities during Hurricane Katrina. The campus was closed for the fall semester of 2005. The Southern University System assisted the students from the New Orleans campus by allowing those that were eligible the opportunity to attend classes at the Baton Rouge and Shreveport campuses. The student enrollment for the fall semester of 2007 was 2,645.

The State of Louisiana, Division of Administration, Office of Facility Planning and Control (OFP&C) has estimated the damages to all 11 buildings on the New Orleans campus to be approximately \$18,503,620. OFP&C has stated, "The intent . . . is to restore each building to its condition just prior to Hurricane Katrina." In the meantime, the university is housed in and operating from temporary trailer facilities that were provided by the Federal Emergency Management Agency. The trailer facilities are located on the university's North campus. The Southern University System and the Southern University at New Orleans' Administration are firmly committed to the process of rebuilding Southern University at New Orleans.

### **CONTACTING THE SOUTHERN UNIVERSITY SYSTEM'S MANAGEMENT**

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of the Southern University System's finances and to show the Southern University System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tolor E. White, System Vice President of Finance and Business Affairs and Comptroller at Southern University and Agricultural and Mechanical College, 4<sup>th</sup> Floor, J. S. Clark Administration Building, Baton Rouge, Louisiana 70813, phone number 225-771-5550.



**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Net Assets  
June 30, 2007**

**ASSETS**

Current assets:

Cash and cash equivalents (note 2)	\$23,653,021
Receivables, net (note 4)	23,936,612
Due from state treasury	2,039,667
Inventories	337,571
Deferred charges and prepaid expenses	5,644,858
Notes receivable, net (note 5)	160,115
Other current assets	28,432
Total current assets	<u>55,800,276</u>

Noncurrent assets:

Restricted cash and cash equivalents (note 2)	21,191,068
Restricted investments (note 3)	5,379,932
Capital assets, net (note 6)	142,790,551
Total noncurrent assets	<u>169,361,551</u>
Total assets	<u>225,161,827</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accruals (note 12)	9,833,322
Deferred revenues (note 11)	7,912,296
Compensated absences (note 10)	658,001
Amounts held in custody for others	728,043
Bonds payable - current portion (notes 13 and 14)	47,000
Reimbursement contracts payable - current portion (notes 13 and 14)	7,353
Other current payables	1,830,678
Total current liabilities	<u>21,016,693</u>

Noncurrent liabilities:

Compensated absences (note 10)	11,932,235
Bonds payable (notes 13 and 14)	201,000
Total noncurrent liabilities	<u>12,133,235</u>
Total liabilities	<u>33,149,928</u>

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Net Assets, 2007**

**NET ASSETS**

Invested in capital assets, net of related debt	\$142,535,198
Restricted for:	
Nonexpendable (note 16)	8,615,424
Expendable (note 16)	37,449,098
Unrestricted	<u>3,412,179</u>
<b>TOTAL NET ASSETS</b>	<b><u><u>\$192,011,899</u></u></b>

(Concluded)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION  
Statement of Financial Position  
December 31, 2006**

**ASSETS**

Current assets:

Cash and cash equivalents	\$1,775,083
Certificates of deposit	153,181
Receivables (net allowance of \$178,000) (note 4)	597,866
Other receivable	47,310
Due from affiliate	13,399
Unconditional promises to give (net allowance of \$24,700)	123,294
Other assets	3,825
Prepaid bond insurance	1,103,995
Bond issuance costs (note 1-N)	828,838
Fixed assets (net of accumulated depreciation of \$1,096,978) (note 6)	7,809,027

Restricted assets:

Cash and cash equivalents	525,970
Certificates of deposit	1,617,470
Investments (note 3)	63,998,585
Total current assets	<u>78,597,843</u>

Noncurrent assets:

Unconditional promises to give	<u>25,000</u>
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**TOTAL ASSETS**

\$78,622,843

**LIABILITIES**

Current liabilities:

Accounts payable and accrued liabilities	\$630,015
Accrued interest payable	23,356
Payroll taxes payable	2,606
Due to affiliate (note 21)	4,066,090
Notes payable (note 13)	38,860
Bonds payable - current portion (note 14)	1,190,000
Deferred revenue (note 11)	3,060,501
Bonds premium (note 14)	2,117,037
Rental deposit fund (note 22)	1,876,013
Total current liabilities	<u>13,004,478</u>

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
SOUTHERN UNIVERSITY SYSTEM FOUNDATION  
Statement of Financial Position, 2006**

**LIABILITIES (CONT.)**

Noncurrent liabilities:

Notes payable (note 13)	\$200,057
Bonds payable (note 14)	59,990,000
Total noncurrent liabilities	<u>60,190,057</u>
Total liabilities	<u>73,194,535</u>

**NET ASSETS**

Unrestricted	1,851,337
Temporarily restricted	2,009,997
Permanently restricted	1,566,974
Total net assets	<u>5,428,308</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$78,622,843</u></u></b>
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(Concluded)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2007**

**OPERATING REVENUES**

Student tuition and fees	\$49,959,120
Less scholarship allowances	(14,485,254)
Net student tuition and fees	35,473,866
Federal appropriations	2,603,130
Federal grants and contracts	68,278,209
State and local grants and contracts	4,739,051
Nongovernmental grants and contracts	71,251
Auxiliary enterprise revenues (including revenues pledged to secure debt per note 14)	14,263,720
Less scholarship allowances	(589,195)
Net auxiliary revenues	13,674,525
Other operating revenues	4,036,581
<b>Total operating revenues</b>	<b>128,876,613</b>

**OPERATING EXPENSES**

Educational and general:	
Instruction	54,107,012
Research	8,794,157
Public service	7,819,847
Academic support	28,137,542
Student services	17,980,483
Institutional support	40,172,810
Operation and maintenance of plant	18,410,416
Depreciation (note 6)	8,712,838
Scholarships and fellowships	20,674,774
Auxiliary enterprises	14,986,538
Other operating expenses	1,481,205
<b>Total operating expenses</b>	<b>221,277,622</b>

<b>OPERATING LOSS</b>	<b>(92,401,009)</b>
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(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Revenues, Expenses, and  
Changes in Net Assets, 2007**

**NONOPERATING REVENUES (Expenses)**

State appropriations	\$88,501,812
Gifts	1,621,479
Investment income	1,962,861
Interest expense	(29,743)
Other nonoperating revenues	7,053,337
<b>Net nonoperating revenues</b>	<u>99,109,746</u>

**Income before other revenues** 6,708,737

Capital appropriations	6,820,236
Capital grants and gifts	2,032,110
Additions to permanent endowment	<u>781,650</u>

**INCREASE IN NET ASSETS** 16,342,733

**NET ASSETS - BEGINNING OF YEAR (Restated) (note 17)** 175,669,166

**NET ASSETS - END OF YEAR** \$192,011,899

(Concluded)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION  
Statement of Activities  
For the Year Ended December 31, 2006**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions and other support	\$14,401	\$668,678		\$683,079
Scoreboard sponsorships	315,000			315,000
Rental income	1,439,499			1,439,499
Athletic sponsorships and support	184,428			184,428
Interest income	19,569	6,148		25,717
Other income	87,855			87,855
Bayou Classic revenues	663,215			663,215
In-kind revenue (note 23)	1,538			1,538
Net assets released from restrictions - satisfaction of program restrictions (note 27)	1,076,970	(1,076,970)		
Total revenues and other support	3,802,475	(402,144)	NONE	3,400,331
<b>EXPENSES</b>				
Program services	1,817,893			1,817,893
Support services	327,692			327,692
Fundraising	12,833			12,833
Total expenses	2,158,418	NONE	NONE	2,158,418
<b>Changes in net assets</b>	1,644,057	(402,144)	NONE	1,241,913
<b>Net assets - beginning of year</b>	207,280	2,412,141	\$1,566,974	4,186,395
<b>Net assets - end of year</b>	\$1,851,337	\$2,009,997	\$1,566,974	\$5,428,308

The accompanying notes are an integral part of this statement.

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**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$35,523,536
Federal appropriations	2,603,130
Grants and contracts	72,158,367
Payments to suppliers	(42,871,256)
Payments for utilities	(7,446,689)
Payments to employees	(106,832,581)
Payments for benefits	(35,282,837)
Payments for scholarships and fellowships	(24,519,796)
Loans issued to students and employees	(305,820)
Payments on loans issued to students and employees	657,759
Auxiliary enterprise charges	13,847,086
Other receipts	1,872,407
<b>Net cash used by operating activities</b>	<b>(90,596,694)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

State appropriations	87,216,661
Gifts and grants for other than capital purposes	1,621,479
Private gifts for endowment purposes	781,650
TOPS receipts	1,783,183
TOPS disbursements	(1,737,383)
Federal Family Education Loan program receipts	84,286,575
Federal Family Education Loan program disbursements	(84,286,575)
Other receipts	6,481,226
<b>Net cash provided by noncapital financing sources</b>	<b>96,146,816</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital grants and gifts received	1,917,477
Purchases of capital assets	(4,809,366)
Principal paid on capital debt and leases	(51,353)
Interest paid on capital debt and leases	(21,274)
<b>Net cash used by capital financing activities</b>	<b>(2,964,516)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales and maturities of investments	1,428,100
Interest received on investments	1,833,344
Purchase of investments	(1,820,539)
<b>Net cash provided by investing activities</b>	<b>1,440,905</b>

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows, 2007**

<b>Net increase in cash and cash equivalents</b>	<b>\$4,026,511</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>40,817,578</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$44,844,089</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	(\$92,401,009)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	8,712,838
Changes in assets and liabilities:	
Decrease in accounts receivable, net	323,018
Decrease in notes receivable	342,535
(Increase) in inventories	(27,667)
(Increase) in prepaid expenses	(4,543,573)
Decrease in other assets	92,619
(Decrease) in accounts payable	(2,636,165)
(Decrease) in deferred revenue	(480,045)
(Decrease) in compensated absences	(30,525)
Increase in other liabilities	51,280
<b>Net cash used by operating activities</b>	<b>(\$90,596,694)</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>	
Cash and cash equivalents classified as current assets	\$23,653,021
Cash and cash equivalents classified as noncurrent assets	21,191,068
<b>Cash and cash equivalents at the end of the year</b>	<b>\$44,844,089</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	
Capital appropriations for construction of capital assets	\$6,820,236
Net increase in the fair value of investments	438,396
Loss on disposal of capital assets	32,579

(Concluded)

The accompanying notes are an integral part of this statement.

## INTRODUCTION

The Southern University System (System) 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 Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs and departments of instruction require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 15 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the federal government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively.

The universities offer numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the university's Law Center. During the summer, fall, and spring semesters of the 2006-2007 fiscal year, the university conferred 2,116 degrees and student enrollment was approximately 32,270. Southern University has 640 full-time and adjunct faculty 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.

The System applies all GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The System has the

option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected to not apply FASB pronouncements issued after the applicable date. However, in the current fiscal year, the System has included a nonprofit corporation, the Southern University System Foundation (Foundation), as a discrete component unit. The Foundation has adopted the provisions of FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, the accounting and presentation criteria for the Foundation are in accordance with FASB 117, which may differ from GASB.

## **B. REPORTING ENTITY**

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The university System is considered a discretely presented component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board 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 System primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the System.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

The Foundation is being included as a discretely presented component unit of the System in the System's financial statements, in accordance with the criteria outlined in GASB Statement No. 14, as amended by GASB Statement No. 39. The Foundation is a nonprofit corporation organized to promote the educational and cultural welfare of the Southern University and Agricultural and Mechanical College System and to develop, expand, and improve the System's facilities.

Other external auditors audited the Foundation for the year ended December 31, 2006. To obtain a copy of the audit report, write to:

Southern University System Foundation  
Post Office Box 2468  
Baton Rouge, Louisiana 70821

## **C. BASIS OF ACCOUNTING**

For financial reporting purposes, the System is considered a special-purpose government engaged only in business-type activities (enterprise fund). Accordingly, the System's

financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting where the aim is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

#### **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. The Joint Legislative Committee on the Budget grants budget revisions. 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) inventories are recorded as expenditures at the time of purchase.

#### **E. CASH AND CASH EQUIVALENTS**

The System defines cash as cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits. Under state law, the System 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 System 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 certificates of deposit, regardless of maturity. These terms are also used in preparing the Statement of Cash Flows. Under state law, these 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.

#### **F. INVENTORIES**

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

#### **G. RESTRICTED CASH AND INVESTMENTS**

Cash that is externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets is reported as noncurrent restricted assets. Noncurrent restricted investments consist of endowments

and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. Some cash and all investments are classified as noncurrent assets in the Statement of Net Assets.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the System 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 instrument or bond indenture. Investments maintained in investment accounts in the Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement No. 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in 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 institution'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 is also capitalized. 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 three to 10 years for most movable property. Library collections regardless of age with a total acquisition value of \$5 million or more will be capitalized and depreciated.

## **I. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities before 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 nonexempt 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 nonclassified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified 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 that 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.

Upon termination or transfer, a classified employee will be paid for any one 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 classified employee's hourly rate of pay at termination or transfer.

#### **K. NONCURRENT LIABILITIES**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable with maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year. Revenue bonds payable are reported at face value.

#### **L. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The System provides certain continuing health care and life insurance benefits for its retired employees. The System recognizes the cost of providing these retiree benefits as an expense when paid during the year.

#### **M. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

- (a) *Invested in capital assets, net of related debt* consists of the System's total investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) *Restricted - nonexpendable* consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, 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 - expendable* consist of resources that the System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- (d) *Unrestricted* consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the System 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 System's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

#### **N. CLASSIFICATION OF REVENUES AND EXPENSES**

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

The System has classified its expenses as either operating or nonoperating expenses according to the following criteria:

- (a) *Operating expenses* generally include transactions resulting from providing goods or services, such as (1) payments to vendors for goods or services; (2) payments to employees for services; and (3) payments for employee benefits.
- (b) *Nonoperating expenses* include transactions resulting from financing activities, capital acquisitions, and investing activities.

#### **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 services (tuition and fees) provided by each university and the



amount that is paid by students and/or third parties making payments on the students' behalf.

## **FOUNDATION**

### **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. ORGANIZATION AND PURPOSE**

The Southern University System Foundation (Foundation) is a nonprofit corporation organized to promote the educational and cultural welfare of the Southern University and Agricultural and Mechanical College System and to develop, expand, and improve the university's facilities.

The consolidated financial statements of the Foundation include:

- (1) Southern University System Foundation as described above; and
- (2) Millennium Housing, LLC (Millennium), a nonprofit corporation organized under the laws of the State of Louisiana and sponsored by the Foundation. Millennium was formed to develop facilities and other auxiliary capital projects for the Southern University System.

Throughout the notes for the consolidated financial statements, the Foundation and Millennium will be collectively referred to as the Foundation. The financial statements of the Foundation and Millennium have been consolidated as they are under common management.

#### **B. TAX EXEMPTION STATUS**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **C. BASIS OF REPORTING**

The Foundation is a nonprofit organization whose financial statements are prepared on the accrual basis. The preparation of 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 from those estimates.

**D. FINANCIAL STATEMENT PRESENTATION**

The Foundation has adopted the provision of FASB's Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

*Unrestricted net assets* include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of the Foundation are included in this category.

*Temporarily restricted net assets* include realized gains and losses, investment income, and gifts and contributions for which donor-imposed restrictions (capital improvements, et cetera) have not been met.

*Permanently restricted net assets* are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until used for donor-imposed restrictions.

**E. PROMISES TO GIVE**

Unconditional promises to give are recognized as contribution revenue and receivables in the period in which the promise is received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at the present value of their estimated future cash flows if they are expected to be collected in more than one year. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**F. INVESTMENT AND INVESTMENT INCOME**

Investments in equity securities and mutual funds are measured at fair value in the Statement of Financial Position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in the due to affiliate liability account as the investments are held on behalf of the university.

**G. CONTRIBUTIONS**

The Foundation accounts for contributions in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for*

*Contributions Received and Contributions Made.* In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received.

## **H. CASH AND CASH EQUIVALENTS**

Cash of the Foundation consists solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

## **I. FIXED ASSETS**

Fixed assets of the Foundation are recorded as assets and are stated at historical cost if purchased, or at fair value at the date of the gift, if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. The Foundation follows the practice of capitalizing all fixed asset purchases that exceed \$1,000.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are five to 39 years.

## **J. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## **K. RESTRICTED ASSETS**

Cash and cash equivalents, certificates of deposit, and investments that are held on behalf of the university are classified as restricted assets in the Statement of Financial Position.

**L. NONCURRENT LIABILITIES**

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with contractual maturities greater than one year.

**M. PRINCIPLES OF CONSOLIDATION**

The Foundation's consolidated financial statements include the accounts of the Foundation and Millennium. All material intercompany transactions have been eliminated.

**N. BOND ISSUANCE COSTS**

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the life of the bonds. Bond issuance costs incurred through the bond issuance totaled \$828,838. These costs will be shown net of accumulated amortization.

**O. CONSTRUCTION-IN-PROGRESS**

Construction-in-progress consists of development costs, direct and indirect construction costs, and capitalized interest. The costs are accounted for as construction-in-progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly. During the year ended December 31, 2006, the Foundation entered into an agreement with the Board of Supervisors of Southern University and Agricultural and Mechanical College (Board) to construct new student housing facilities and certain auxiliary student facilities.

The Foundation will borrow money and construct the facilities as specified by the Board and the facilities will be leased back to the Board. The revenues generated by these facilities will be used to pay for the financing of the project. Construction-in-progress related to the project totals \$3,325,514 at December 31, 2006.

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2007, the System has cash and cash equivalents (book balances) totaling \$44,844,089 as follows:

Demand deposits:	
Noninterest-bearing	\$33,578,962
Interest-bearing	4,050,296
Time certificates of deposit	7,212,631
Petty cash	2,200
	<hr/>
Total	<u>\$44,844,089</u>

These cash and cash equivalents are reported on the Statement of Net Assets as follows:

Current assets	\$23,653,021
Noncurrent assets - restricted	<u>21,191,068</u>
Total	<u><u>\$44,844,089</u></u>

### FOUNDATION CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by \$3,607,997 as of December 31, 2006.

### 3. INVESTMENTS

At June 30, 2007, the System has investments (noncurrent - restricted assets) totaling \$5,379,932 as follows:

	<u>Fair Value</u> <u>June 30, 2007</u>	<u>Investment</u> <u>Maturities (Years)</u>	<u>Credit Quality</u> <u>Rating</u>
Investments held by private foundation:			
Corporate bonds	\$367,215	4.5	
U.S. government agencies	237,419	11.2	
U.S. government obligations	138,144	3.1	
Equities	1,069,543	Not Applicable	
Cash equivalents	<u>2,445,749</u>	Not Applicable	
Subtotal - external investment pool	4,258,070		Not Rated
U.S. government obligations	57,585	0.3	Not Applicable
Mutual funds (equities)	689,585	Not Applicable	Not Applicable
Mutual funds (debt securities)	356,656	5.1	Not Rated
Money market fund	<u>18,036</u>	Not Applicable	Not Rated
Total	<u><u>\$5,379,932</u></u>		

There is no formally adopted investment policy regarding interest rate risk.

The investments in U.S. government obligations totaling \$57,585 are exposed to custodial credit risk since the securities are uninsured, not registered in the name of the System, and are held by the counterparty. There is no formally adopted investment policy regarding custodial credit risk.

These investments are reported at fair value as required by GASB Statement No. 31. Investments held by the foundation are in an external investment pool, which is not SEC registered, but is managed in accordance with the terms outlined in a management agreement executed between the System and the Foundation. The System is a voluntary participant in the

agreement and the fair value of the System's position in the pool is equal to the value of the pool shares.

The investments held by the private foundation totaling \$4,258,070 are held pursuant to the Endowed Chairs for Eminent Scholars Program and Endowed Professorships Program. For these programs, the investment policy established by the Louisiana Board of Regents limits the investment of fixed income securities to a maximum investment of 15% in quality ratings between AA and BB, while the overall average quality must be at least AA. For the remaining investments, there is no formally adopted investment policy regarding the acceptable credit quality of investments.

### FOUNDATION INVESTMENTS

Investments as of December 31, 2006, are summarized as follows:

	Cost	Fair/Carrying Value
Temporarily and permanently restricted - equity and fixed income held on behalf of the Southern University System	\$1,145,238	\$1,847,158
Fixed income	62,151,427	62,151,427
Total	<u>\$63,296,665</u>	<u>\$63,998,585</u>

### 4. RECEIVABLES

Receivables are shown on Statement A, net of an allowance for doubtful accounts, as follows:

	Receivables	Allowance for Doubtful Accounts	Receivables, Net
Student tuition and fees	\$4,393,633	(\$1,180,305)	\$3,213,328
Auxiliary enterprises	1,808,419	(12,112)	1,796,307
Federal, state, and private grants and contracts	15,247,744	(3,017)	15,244,727
Accrued interest receivable	36,995		36,995
Other	<u>3,666,905</u>	<u>(21,650)</u>	<u>3,645,255</u>
Total	<u>\$25,153,696</u>	<u>(\$1,217,084)</u>	<u>\$23,936,612</u>

There is no noncurrent portion of accounts receivable.

## FOUNDATION RECEIVABLES

Receivables consist of amounts due from Bayou Classic related events, College of Business Gala, as well as an amount due from a third party which resulted from prior year. An allowance for doubtful collections has also been recorded for the entire balance of the amount due from the third party.

Receivables consist of the following:

Bayou Classic related events	\$583,366
Third party	178,000
College of Business Gala	<u>14,500</u>
Subtotal	775,866
Less - allowance for doubtful collections	<u>(178,000)</u>
Receivables net of allowance for doubtful accounts	<u><u>\$597,866</u></u>

## 5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and Student Government Association loans. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. Student Government Association loans are funded from self-assessed student fees and are available to qualified students for books and emergency financial needs.

Notes receivable are shown on Statement A, net of an allowance for doubtful accounts, at June 30, 2007. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable, Net
Federal Perkins Loan program	\$2,136,130	(\$2,136,130)	
Student Government Association loans	159,673		\$159,673
Long-term student loans (Shreveport)	<u>100,362</u>	<u>(99,920)</u>	<u>442</u>
Total	<u><u>\$2,396,165</u></u>	<u><u>(\$2,236,050)</u></u>	<u><u>\$160,115</u></u>

**6. CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ending June 30, 2007, is as follows:

	Balance June 30, 2006	Adjustments	Adjusted Balance June 30, 2006
Capital assets not being depreciated:			
Land	\$3,865,076	\$2,292,671	\$6,157,747
Construction-in-progress	12,897,153		12,897,153
Total capital assets not being depreciated	<u>\$16,762,229</u>	<u>\$2,292,671</u>	<u>\$19,054,900</u>
Capital assets being depreciated:			
Infrastructure	\$24,849,703		\$24,849,703
Less accumulated depreciation	(22,356,243)		(22,356,243)
Total infrastructure	<u>2,493,460</u>	<u>NONE</u>	<u>2,493,460</u>
Land improvements	4,319,614	\$835,695	5,155,309
Less accumulated depreciation	(3,247,174)	(763,762)	(4,010,936)
Total land improvements	<u>1,072,440</u>	<u>71,933</u>	<u>1,144,373</u>
Buildings	217,463,792		217,463,792
Less accumulated depreciation	(110,103,766)		(110,103,766)
Total buildings	<u>107,360,026</u>	<u>NONE</u>	<u>107,360,026</u>
Equipment	28,102,423	(466,225)	27,636,198
Less accumulated depreciation	(20,732,190)	507,542	(20,224,648)
Total equipment	<u>7,370,233</u>	<u>41,317</u>	<u>7,411,550</u>
Library books	87,985,424		87,985,424
Less accumulated depreciation	(85,661,239)		(85,661,239)
Total library books	<u>2,324,185</u>	<u>NONE</u>	<u>2,324,185</u>
Total capital assets being depreciated	<u>\$120,620,344</u>	<u>\$113,250</u>	<u>\$120,733,594</u>
Capital assets summary:			
Capital assets not being depreciated	\$16,762,229	\$2,292,671	\$19,054,900
Capital assets being depreciated	<u>362,720,956</u>	<u>369,470</u>	<u>363,090,426</u>
Total cost of capital assets	379,483,185	2,662,141	382,145,326
Less accumulated depreciation	<u>(242,100,612)</u>	<u>(256,220)</u>	<u>(242,356,832)</u>
Capital assets, net	<u>\$137,382,573</u>	<u>\$2,405,921</u>	<u>\$139,788,494</u>



<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>
			\$6,157,747
<u>\$7,060,159</u>	<u>(\$125,319)</u>		<u>19,831,993</u>
<u>\$7,060,159</u>	<u>(\$125,319)</u>	<u>NONE</u>	<u>\$25,989,740</u>
			\$24,849,703
<u>(\$215,522)</u>			<u>(22,571,765)</u>
<u>(215,522)</u>	<u>NONE</u>	<u>NONE</u>	<u>2,277,938</u>
			5,155,309
<u>(112,318)</u>			<u>(4,123,254)</u>
<u>(112,318)</u>	<u>NONE</u>	<u>NONE</u>	<u>1,032,055</u>
	\$125,319		217,589,111
<u>(4,538,800)</u>			<u>(114,642,566)</u>
<u>(4,538,800)</u>	<u>125,319</u>	<u>NONE</u>	<u>102,946,545</u>
3,019,252		(\$1,099,232)	29,556,218
<u>(2,599,444)</u>		<u>1,066,653</u>	<u>(21,757,439)</u>
<u>419,808</u>	<u>NONE</u>	<u>(32,579)</u>	<u>7,798,779</u>
1,668,063		(842,414)	88,811,073
<u>(1,246,754)</u>		<u>842,414</u>	<u>(86,065,579)</u>
<u>421,309</u>	<u>NONE</u>	<u>NONE</u>	<u>2,745,494</u>
<u>(\$4,025,523)</u>	<u>\$125,319</u>	<u>(\$32,579)</u>	<u>\$116,800,811</u>
			\$25,989,740
<u>\$7,060,159</u>	<u>(\$125,319)</u>		<u>\$25,989,740</u>
<u>4,687,315</u>	<u>125,319</u>	<u>(\$1,941,646)</u>	<u>365,961,414</u>
<u>11,747,474</u>	<u>NONE</u>	<u>(1,941,646)</u>	<u>391,951,154</u>
<u>(8,712,838)</u>	<u>NONE</u>	<u>1,909,067</u>	<u>(249,160,603)</u>
<u>\$3,034,636</u>	<u>NONE</u>	<u>(\$32,579)</u>	<u>\$142,790,551</u>

**FOUNDATION FIXED ASSETS**

Land, building, and equipment as of December 31, 2006, are summarized as follows:

Land and improvements	\$1,014,978
Building	1,161,847
Office equipment	20,928
Field improvements	550,658
Stadium equipment	217,868
Scoreboard equipment	2,555,611
Furniture and fixtures	45,333
Software	13,268
Construction-in-progress	<u>3,325,514</u>
Sub-total	8,906,005
Less - accumulated depreciation	<u>(1,096,978)</u>
Total	<u><u>\$7,809,027</u></u>

Depreciation expense totaled \$262,420 for the year ended December 31, 2006.

**7. PENSION PLANS**

*Plan Description.* Substantially all employees of the System are members of two statewide, public-employee retirement systems. Academic employees are generally members of the Teachers' Retirement System of Louisiana (TRSLA), and classified/unclassified state employees are generally members of the Louisiana State Employees' Retirement System (LASERS). Both plans are administered by separate boards of trustees. TRSLA is a cost-sharing, multiple-employer defined benefit pension plan and LASERS is considered a single-employer defined benefit pension plan because the material portion of its activity is with one employer--the State of Louisiana. TRSLA and LASERS 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 for TRSLA and after 10 years of service for 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 System 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% (TRSLA) and 7.5% (LASERS) of covered

salaries. Act 75 of the 2005 Regular Legislative Session now requires that employees hired on or after July 1, 2006, must contribute 8% of covered salaries to LASERS. For fiscal year 2007, the state is required to contribute 15.8% of covered salaries to TRSLA and 19.1% of covered salaries to LASERS. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRSLA for the years ended June 30, 2007, 2006, and 2005 were \$7,476,291; \$7,098,633; and \$7,073,853, respectively, and to LASERS for the years ended June 30, 2007, 2006, and 2005 were \$4,709,204; \$4,559,946; and \$4,548,788, respectively, equal to the required contributions for each year.

## **8. OPTIONAL RETIREMENT PLAN**

TRSLA administers an optional retirement plan, which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. This plan was designed to aid universities in recruiting employees who may not be expected to remain in the TRSLA for 10 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 TRSLA and purchase retirement and death benefits through contracts provided by designated companies.

R.S. 11:927 sets the contribution requirements of the plan members and the System equal to the contribution rates established for the regular retirement plan of TRSLA. Total contributions by the System are 15.8% of the covered payroll. 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 TRSLA 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 TRSLA retains the balance of the employer contribution for application to the unfunded accrued liability of the System. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSLA. 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 \$3,372,856 and \$1,707,774, respectively, for the year ended June 30, 2007.

## **9. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The System provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the System's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and

similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the System. The System recognizes the cost of providing these benefits to retirees (System's portion of premiums) as an expense when paid during the year. Benefits for 659 retirees totaled \$3,681,769 for the year ended June 30, 2007.

#### **10. COMPENSATED ABSENCES**

At June 30, 2007, employees of the System have accumulated and vested annual leave, sick leave, and compensatory leave of \$8,349,124; \$4,122,028; and \$119,084, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

#### **11. DEFERRED REVENUES**

The following is a summary of deferred revenues at June 30, 2007:

<u>Account Name</u>	<u>Amount</u>
Prepaid tuition and fees	\$2,181,194
Prepaid athletic ticket sales	448,728
Prepaid room and board	152,136
Grants and contracts	5,130,238
Total deferred revenues	<u><u>\$7,912,296</u></u>

#### **FOUNDATION DEFERRED REVENUE**

As of December 31, 2006, deferred revenue consisted of prepayment of board base rent obligations in the amount of \$3,060,501.

#### **12. ACCOUNTS PAYABLE AND ACCRUALS**

The following is a summary of payables at June 30, 2007:

<u>Account Name</u>	<u>Amount</u>
Vendor payables	\$4,268,561
Accrued salaries and payroll deductions	4,563,507
Other	1,001,254
Total payables	<u><u>\$9,833,322</u></u>

**13. LONG-TERM LIABILITIES**

The following is a summary of bonds and reimbursement contracts payable and other long-term transactions of the System for the year ended June 30, 2007:

	Balance, June 30, 2006	Additions	Reductions	Balance, June 30, 2007	Amounts Due Within One Year
Revenue bonds payable	\$292,000		(\$44,000)	\$248,000	\$47,000
Reimbursement contract payable	14,706		(7,353)	7,353	7,353
Compensated absences payable (note 10)	12,620,761	\$617,493	(648,018)	12,590,236	658,001
Total long-term liabilities	<u>\$12,927,467</u>	<u>\$617,493</u>	<u>(\$699,371)</u>	<u>\$12,845,589</u>	<u>\$712,354</u>

**FOUNDATION NOTES PAYABLE**

The following is a summary of notes payable at December 31, 2006:

Note payable to a bank, secured by the scoreboard equipment, with an interest rate of 7.5%, with a maturity date of February 15, 2007.	\$10,000
Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013.	<u>228,917</u>
Total notes payable	238,917
Less - current portion	<u>(38,860)</u>
Total long-term portion	<u>\$200,057</u>

Scheduled principal payments due on the above notes payable subsequent to December 31, 2006, are as follows:

<u>Year Ending December 31,</u>	
2007	\$38,860
2008	30,934
2009	33,157
2010	35,539
2011	38,093
Subsequent to 2011	<u>62,334</u>
Total	<u>\$238,917</u>

Interest expense for the year ended December 31, 2006, totaled \$26,925.

#### 14. BONDS AND REIMBURSEMENT CONTRACTS PAYABLE

Bonds and reimbursement contracts payable consisted of the following for the year ended June 30, 2007:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2006</u>
A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993	November 1, 1993	\$650,000	\$292,000
Reimbursement Contract - Reroofing Dunn Hall	February 1, 1991	125,002	<u>14,706</u>
Total			<u><u>\$306,706</u></u>

The revenues of certain auxiliary enterprises are restricted by terms in the covenants of certain debt instruments. The Intercollegiate Athletic Facilities fee is used to secure the debt related to the A.W. Mumford Stadium Track Resurfacing Revenue Bonds, Series 1993. The total fees collected during the fiscal year were \$442,795. In addition, revenues from the operation of the cafeteria on the Baton Rouge campus are pledged as security for the reimbursement contract. Total revenues from the cafeteria during the fiscal year were \$4,242,802.

The scheduled maturities of the bonds and reimbursement contract at June 30, 2007, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$54,353	\$17,838
2009	51,000	14,089
2010	55,000	9,966
2011	35,000	6,416
2012	30,000	3,788
2013-2014	<u>30,000</u>	<u>2,125</u>
Total	<u><u>\$255,353</u></u>	<u><u>\$54,222</u></u>

<u>Redeemed</u>	<u>Outstanding June 30, 2007</u>	<u>Final Fiscal Year Maturity</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2007</u>
(\$44,000)	\$248,000	2014	7.5-8.5%	\$54,222
<u>(7,353)</u>	<u>7,353</u>	2008		<u>NONE</u>
<u><u>(\$51,353)</u></u>	<u><u>\$255,353</u></u>			<u><u>\$54,222</u></u>

The following is a summary of the debt service reserve requirements of the bond issue outstanding at June 30, 2007:

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
A.W. Mumford track project	\$58,063	\$56,812	\$1,251

### **FOUNDATION REVENUE BONDS PAYABLE**

On May 19, 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,700,000 of Revenue Bonds (Series 2003) to the Foundation. The proceeds of the bonds were used for funding a new entrance marquee and new athletic scoreboards on land adjacent to and on the campus of Southern University and Agricultural and Mechanical College and paying the costs of issuance of the Series 2003 bonds. The bond agreement provides for interest on the outstanding bonds at a rate of 5.64% per annum. The bonds are due in annual principal installments of \$170,000, beginning February 15, 2004, and ending February 15, 2007, with a balloon principal payment of \$1,190,000.

On December 13, 2006, the Louisiana Public Facilities Authority issued \$59,990,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the Foundation. The proceeds of the bonds are being used to (i) finance the design, development, acquisition, construction, installation, renovation, and equipping of (a) Student Housing Facilities to be located on the campus of Southern University and Agricultural and Mechanical College in Baton Rouge, Louisiana (SUBR), (b) certain auxiliary student projects, including a student intramural sports complex, a portion of a football and track complex, a baseball field house and north-end seating in Mumford Stadium and refinancing a loan for the football field restoration at SUBR, (c) all equipment, furnishings, fixtures, and facilities incidental or necessary in connection therewith at SUBR, and (d) acquiring a building to be used by Southern University at Shreveport, Louisiana (SUSLA) (collectively, the "Project"); (ii) refinance portions of a bridge loan incurred to pay certain of such costs prior to delivery of the Series 2006 Bonds; (iii) pay costs of issuance including premium on the Bond Insurance Policy; (iv) fund a reserve fund; and (v) pay capitalized interest during construction of the Project.



The requirements to amortize the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2007	\$1,190,000
2009	925,000
2010	970,000
2011	1,010,000
Subsequent to 2011	<u>57,085,000</u>
Total	<u><u>\$61,180,000</u></u>

Interest expense for the year ended December 31, 2006, totaled \$69,513.

The bond premium received upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method. Total bond premium at issuance totaled \$2,117,037. Annual amortization will be charged against "Interest Expense." The bond premium will be shown net of accumulated amortization.

## 15. LEASE OBLIGATIONS

### Operating Leases

For the year ended June 30, 2007, total operating lease expenditures was \$1,689,115. The following is a schedule by years of future minimum annual rental payments required under operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2007:

<u>Nature of Operating Lease</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total Minimum Payments Required</u>
Office space	\$181,939	\$181,939	\$33,806	\$397,684
Equipment	195,848	3,120	1,560	200,528
Other	<u>59,085</u>	<u>59,085</u>		<u>118,170</u>
Total	<u><u>\$436,872</u></u>	<u><u>\$244,144</u></u>	<u><u>\$35,366</u></u>	<u><u>\$716,382</u></u>

The lease agreements have nonappropriation exculpatory clauses that allow lease cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period. The System has no capital leases.

**Lessor Leases**

The System's leasing operations consist primarily of leasing property for providing food services to students and bookstore operations.

The following schedule provides an analysis of the cost and carrying amount of the System's investment in property on operating leases and property held for lease as of June 30, 2007:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	<u>\$3,674,800</u>	<u>(\$2,648,776)</u>	<u>\$1,026,024</u>

The following is a schedule of the minimum future rentals for the leases as of June 30, 2007:

<u>Nature of Operating Lease</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total Minimum Future Rentals</u>
Office space	\$1,009,576	\$62,636	\$62,636	\$41,909		\$1,176,757
Land	3,600	3,600	3,600	2,400		13,200
Other	<u>94,900</u>	<u>67,300</u>	<u>62,300</u>	<u>50,000</u>	<u>\$50,000</u>	<u>324,500</u>
Total	<u>\$1,108,076</u>	<u>\$133,536</u>	<u>\$128,536</u>	<u>\$94,309</u>	<u>\$50,000</u>	<u>\$1,514,457</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. Contingent rentals amounted to \$190,233 for the year ended June 30, 2007.

**FOUNDATION LEASE OBLIGATIONS****Lease Agreement**

On May 15, 2003, the Foundation (lessor) entered into an equipment lease agreement with the Board of Supervisors for Southern University and Agricultural and Mechanical College (the lessee) to lease the football and basketball scoreboards, twin signs located on either side of the baseball scoreboard and a front entrance marquee with all ancillary equipment. This lease shall be and continued in full force and effect for a term beginning on the effective date of the agreement and ending upon termination of the premises lease, at which time the lessee shall be granted all rights, title, and interest as owner in and to the equipment in accordance with the premises lease. The lease calls for rent of \$1 per year.

**16. RESTRICTED NET ASSETS**

The System has the following restricted net assets at June 30, 2007:

Nonexpendable - endowments	<u><u>\$8,615,424</u></u>
Expendable:	
Gifts, grants, and contracts	\$15,202,613
Auxiliary Fund	61,302
Endowment income	4,084,290
Student fees	3,646,783
Student loans	1,144,175
University plant projects	9,127,844
Debt service requirements	<u><u>4,182,091</u></u>
Total expendable	<u><u>\$37,449,098</u></u>

Of the total net assets reported in the Statement of Net Assets for the year ended June 30, 2007, a total of \$7,461,179 is restricted by enabling legislation.

**17. RESTATEMENT OF BEGINNING NET ASSETS**

The beginning net assets as reflected on Statement C have been restated to reflect the following changes:

Net assets at June 30, 2006	\$173,059,531
Net errors in capital assets	2,405,921
Other miscellaneous errors	<u>203,714</u>
Net assets at July 1, 2006, restated	<u><u>\$175,669,166</u></u>

**18. CONTINGENT LIABILITIES  
AND RISK MANAGEMENT**

The System is involved in 298 lawsuits and claims against it at June 30, 2007, of which 15 are handled by contracted attorneys. In the opinion of the contracted attorneys, the System does not have any potential liability for these lawsuits and claims and none has been accrued in the System's financial statements. The remaining lawsuits and claims are handled by the Attorney General's office or the state's self-insurance fund that is operated by the Office of Risk Management (ORM). Any losses resulting from these lawsuits and claims would be paid by ORM or through General Fund appropriations.

The amount of settlements paid in the last three years did not exceed insurance coverage. However, during the fiscal year ended June 30, 2006, the amount of impairment losses to buildings, equipment, and library materials exceeded the insurance coverage provided by ORM.

The university is continuing to work with ORM to determine the insurance recovery that is due the university.

## **19. RELATED PARTY TRANSACTIONS**

During fiscal year ended June 30, 2007, the System had a relationship with the Foundation. The Foundation has a cooperative endeavor with the System to promote activities of the Southern University Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend.

## **20. DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the Southern University System Board of Supervisors to authorize expenditure of 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, 2007, net appreciation of donor restricted endowments is equal to \$1,701,321, which is available to be spent for restricted purposes. The System limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

## **21. FOUNDATIONS**

The accompanying financial statements include the accounts of the Southern University System Foundation (Foundation) but do not include the accounts of the Southern University Shreveport Foundation or the Southern University New Orleans Foundation. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

The System has contracted with the Foundation to invest the System's Endowed Chairs for Eminent Scholars Program endowment funds and Endowed Professorship Program endowment funds. The Endowed Chairs for Eminent Scholars Program endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education, while the Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base including the state matching portion and private contributions totaled \$3,271,015. At June 30, 2007, the Foundation holds in custody \$4,258,070 of Endowed Chairs for Eminent Scholars Program and Endowed Professorship Program endowment funds invested for the System. Because the Foundation's fiscal year-end of December 31, 2006, differs from the System's fiscal year-end, the amounts reported as due to the System by the Foundation do not agree to the amounts reported as invested by the System.

Certain operating expenses of the Foundation for the year (assumed by Southern University System and included in expenses, Statement C) are summarized as follows:

Salaries and related benefits	\$212,897
Other	<u>5,799</u>
Total	<u><u>\$218,696</u></u>

## FOUNDATION DISCLOSURE

The System has contracted with the Foundation to invest the university's Endowed Chairs for Eminent Scholars and Endowed Professorship endowment funds. The amount due to the System as of December 31, 2006, totaled \$3,990,599.

In addition, the Foundation received funds on behalf of various departments of the Southern University Baton Rouge campus which totaled \$75,491 as of December 31, 2006.

The total amount due to the affiliate as of December 31, 2006, totaled \$4,066,090.

## 22. COOPERATIVE ENDEAVOR AGREEMENT

On October 26, 2006, the Foundation entered into a Cooperative Endeavor and Lease Agreement (the Agreement) with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board), to lease to the Board certain student housing facilities and certain auxiliary student facilities. The Board made an initial payment to the Foundation in the amount of \$4,500,000 on December 13, 2006. The initial payment was deposited in the Foundation, to be used for a student intramural sports complex and north-end seating in Mumford Stadium at Southern University Baton Rouge campus. After the initial payment, the Board shall make annual payments to the Foundation starting November 1, 2008, and terminating on November 1, 2037, unless the Louisiana Public Facilities Authority Series 2006 Bonds are paid in full or legally defeased before that date. The Board payments are designed to be sufficient to pay the principal of and interest on the Series 2006 Bonds. The base rental payments are as follows:

<u>Fiscal Year</u>	<u>Base Rent</u>
2009	\$2,241,500
2010	3,634,000
2011	3,629,750
2012	3,633,500
2013-2017	18,147,750
2018-2022	18,159,500
2023-2027	18,154,250
2028-2032	18,159,750
2033-2037	18,153,500
2038	3,633,000
Total	<u><u>\$107,546,500</u></u>

In addition to the base rental payments, the Board is also required to pay to the Foundation as additional rent, all amounts expended by the Foundation for the procurement of insurance coverage; fees and expenses of the Foundations or its trustee in performing the requirements of the Trust Indenture and Loan Agreement; and administrative expenses in connection with reports and other tasks required in connection with the Foundation's obligations under the Agreement.

The Agreement also required that a Rental Deposit Fund be established on the date of issuance of the Louisiana Public Facilities Authority Series 2006 Bonds. The Rental Deposit Fund was funded by the Board in an amount equal to 50% of the maximum principal and interest requirements coming due on the Series 2006 Bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond fund to pay principal and interest on the Series 2006 Bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the Series 2006 Bonds. On the final maturity date of the Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the Series 2006 Bond on such final maturity date. At June 30, 2007, the balance in the Rental Deposit Fund is \$1,876,013.

Pursuant to the Agreement, the Foundation (the Lessee) will lease the land on which the student housing facilities and certain auxiliary student facilities are being constructed for the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Lessor). The payment by the Lessee is \$100 per year beginning fiscal year 2007 and terminating on November 1, 2037, unless the Louisiana Public Facilities Authority Series 2006 Bonds are paid in full or legally defeased before that date or if all facilities are transferred from the Foundation to the Board.

## **23. FOUNDATION IN-KIND DONATIONS**

During the fiscal year ended December 31, 2006, the Foundation received in-kind donations from the System for professional legal services totaling \$1,538.

**24. FOUNDATION - DUE FROM MILLENNIUM HOUSING, LLC**

On April 3, 2004, Millennium Housing, LLC, a nonprofit organization, was established exclusively for borrowing funds for the Auxiliary capital projects. The Foundation is the sole member and manager of the LLC and shall have all powers necessary to handle the LLC's affairs which include (1) the power to acquire property in the name of the LLC; (2) borrow monies from banks and lending institutions; (3) lease, sell, and exchange the LLC property; (4) construct improvements on, demolish, and rehabilitate the LLC property; and (5) hire, employ, or contract with any management company, leasing agents, consultants, et cetera. The Foundation incurred expenses and other indebtedness on behalf of the LLC. As of December 31, 2006, the unreimbursed amount due to the Foundation totaled \$556,201. The unreimbursed balance will not be included in the Statement of Financial Position as intercompany transactions are eliminated in accordance with Generally Accepted Accounting Principles.

**25. IMPAIRMENT OF CAPITAL ASSETS**

During August and September 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 events and the resulting damages sustained by the state, it is unknown exactly what economic impact recovery efforts will have on state and local governmental operations. The long-term effects of hurricanes Katrina and Rita on the state and the System cannot be determined at this time.

On August 29, 2005, the New Orleans campus was struck by Hurricane Katrina. The campus suffered extensive flooding and various degrees of wind damage to its 11 buildings. This resulted in water and mold damage to the buildings' interiors. The buildings remain closed for repair, and these closed buildings constitute the campus' entire academic and administrative space. These facilities are being repaired based upon a state Office of Facility Planning and Control priority schedule. The time of completion of the buildings' repairs is not certain. The New Orleans campus is using temporary buildings to meet student classroom and administrative needs.

Buildings and equipment with a carrying value of \$7,443,923 and \$185,473, respectively, are idle at June 30, 2007. In addition, the idle equipment could not be inventoried because System personnel were prohibited from entering the buildings where the equipment was being housed.

**26. DEFERRED COMPENSATION PLAN**

Certain employees of the System 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 of the Plan, available from the Louisiana Legislative Auditor's Web site at [www.la.la.gov](http://www.la.la.gov).

**27. FOUNDATION - NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the year ended December 31, 2006:

Scholarships and educational assistance	\$91,715
Conferences and meetings	72,788
Special events and projects	836,964
Other	<u>75,503</u>
Total	<u><u>\$1,076,970</u></u>

**28. SUBSEQUENT EVENTS**

Pursuant to court orders of the United States District Court issued on December 8, 2006, and April 23, 2007, the System was awarded and received \$2,344,127 as Cy Pres awards from a class action lawsuit brought against the Ingram Barge Company. However, on August 16, 2007, the court ordered that the funds should be transferred to the Foundation. As a result, the System paid the funds to the Foundation on September 7, 2007.

On January 18, 2007, the State Bond Commission gave preliminary approval to the LPFA's request to issue revenue bonds not to exceed \$17.5 million for the benefit of SUSLA Facilities, Inc., a Louisiana nonprofit organization, for financing the costs of acquisition, construction, reconstruction, renovation, furnishing and equipping of dormitories at Southern University in Shreveport. On July 31, 2007, LPFA sold \$12,795,000 in tax exempt and \$205,000 taxable revenue bonds. SUSLA Facilities, Inc., also entered into a lease agreement with the Southern University Board of Supervisors whereby the Board agreed to lease a portion of the Shreveport campus for the purposes stated previously for \$1 per year. All revenues collected by the System from the tenants of the dormitories will be remitted to SUSLA Facilities, Inc.

Southern University at New Orleans through the System entered into a loan agreement with the U.S. Department of Education to borrow \$44,000,000 in June 2007 to construct student housing, although no funds have been advanced to the university. Pursuant to Section 2601 of Title II of the *Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006*, the U.S. Department of Education has implemented a loan program for Historically Black Colleges and Universities affected by hurricanes Katrina and Rita, which provides for a loan at one percent interest and one percent origination fees. Final approval by the State Bond Commission for the loan agreement was received in April 2008.



### **SCHEDULE OF PER DIEM PAID BOARD MEMBERS**

Schedule 1 presents the per diem paid board members for the year ended June 30, 2007. Members of the Southern University Board of Supervisors receive \$50 per diem for each day of attendance of board meetings, committee meetings, or while on business for the board, as authorized by R.S. 17:3206. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

### **COMBINING SCHEDULE OF NET ASSETS**

Schedule 2 presents the Combining Schedule of Net Assets, by Campus.

### **COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Schedule 3 presents the Combining Schedule of Revenues, Expenses, and Changes in Net Assets, by Campus.

### **COMBINING SCHEDULE OF CASH FLOWS**

Schedule 4 presents the Combining Schedule of Cash Flows, by Campus.



**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Schedule of Per Diem Paid Board Members  
For the Year Ended June 30, 2007**

<u>Name</u>	<u>Amount</u>
Alexander, Angela J.	\$350
Anderson, Johnny	900
Atkins, Dale N.	800
Bilberry, Jesse B., Jr.	600
Caiton, Richard J.	800
Clayton, Antonio M.	750
Gilliam, Sam Albert	450
Guidry, Walter Jr.	1,600
Jackson-Williams, Worlita	350
Jackson, Christopher	600
Joseph, John	900
Kiefer, Anne Z.	350
Lawson, Myron K.	850
Miller, Louis	700
Nash, Murphy Jr.	850
Patterson, Afi	150
Polk, Lea M.	750
Pradia, Elvin	300
Williams, Achilles	650
	<hr/>
Total	<u><u>\$12,700</u></u>

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Net Assets, by Campus, June 30, 2007**

	<u>BOARD AND SYSTEM</u>	<u>BATON ROUGE CAMPUS</u>	<u>LAW CENTER</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$4,594,991	\$12,502,275	(\$1,019,150)
Receivables, net	1,037	9,388,546	2,397,836
Due from state treasury	115,270	455,241	
Inventories		318,391	
Deferred charges and prepaid expenses	20,033	5,311,446	26,718
Notes receivable, net			
Other current assets			
Total current assets	<u>4,731,331</u>	<u>27,975,899</u>	<u>1,405,404</u>
Noncurrent assets:			
Restricted cash and cash equivalents	688,753	12,884,073	1,394,966
Restricted investments		4,020,705	214,347
Capital assets, net		118,864,671	1,316,037
Total noncurrent assets	<u>688,753</u>	<u>135,769,449</u>	<u>2,925,350</u>
Total assets	<u>5,420,084</u>	<u>163,745,348</u>	<u>4,330,754</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accruals	120,569	6,733,347	51,013
Deferred revenues		3,311,949	434,068
Compensated absences	18,832	327,981	41,840
Amounts held in custody for others		675,688	
Bonds payable - current portion		47,000	
Reimbursement contracts payable - current portion		7,353	
Other current payables	250	1,368,694	
Total current liabilities	<u>139,651</u>	<u>12,472,012</u>	<u>526,921</u>
Noncurrent liabilities:			
Compensated absences	528,905	6,921,367	844,350
Bonds payable		201,000	
Total noncurrent liabilities	<u>528,905</u>	<u>7,122,367</u>	<u>844,350</u>
Total liabilities	<u>668,556</u>	<u>19,594,379</u>	<u>1,371,271</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		118,609,318	1,316,037
Restricted for:			
Nonexpendable	420,000	5,246,534	903,750
Expendable	4,523,788	22,302,356	1,357,620
Unrestricted	<u>(192,260)</u>	<u>(2,007,239)</u>	<u>(617,924)</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$4,751,528</u></u>	<u><u>\$144,150,969</u></u>	<u><u>\$2,959,483</u></u>

**Schedule 2**

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
\$1,523,345	\$8,341,834	(\$2,290,274)	\$23,653,021
1,265,386	4,423,014	6,460,793	23,936,612
228,929	1,240,227		2,039,667
	19,180		337,571
3,930	80,940	201,791	5,644,858
	159,673	442	160,115
	3,185	25,247	28,432
3,021,590	14,268,053	4,397,999	55,800,276
	6,069,887	153,389	21,191,068
	1,064,277	80,603	5,379,932
	14,459,003	8,150,840	142,790,551
NONE	21,593,167	8,384,832	169,361,551
3,021,590	35,861,220	12,782,831	225,161,827
204,358	2,312,409	411,626	9,833,322
	3,661,793	504,486	7,912,296
22,435	190,800	56,113	658,001
		52,355	728,043
			47,000
			7,353
	355,949	105,785	1,830,678
226,793	6,520,951	1,130,365	21,016,693
733,314	1,446,249	1,458,050	11,932,235
			201,000
733,314	1,446,249	1,458,050	12,133,235
960,107	7,967,200	2,588,415	33,149,928
	14,459,003	8,150,840	142,535,198
	1,865,140	180,000	8,615,424
617,806	6,836,412	1,811,116	37,449,098
1,443,677	4,733,465	52,460	3,412,179
\$2,061,483	\$27,894,020	\$10,194,416	\$192,011,899

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Revenues, Expenses,  
and Changes in Net Assets, by Campus  
For the Fiscal Year Ended June 30, 2007**

	BOARD AND SYSTEM	BATON ROUGE CAMPUS	LAW CENTER
<b>OPERATING REVENUES</b>			
Student tuition and fees		\$34,334,002	\$3,321,530
Less scholarship allowances		(9,634,027)	
Net student tuition and fees	NONE	24,699,975	3,321,530
Federal appropriations			
Federal grants and contracts	\$470	37,334,806	1,640,534
State and local grants and contracts		1,350,061	
Nongovernmental grants and contracts			
Auxiliary enterprise revenues (including revenue used to secure debt)		13,468,142	
Less scholarship allowances		(547,000)	
Net auxiliary revenues	NONE	12,921,142	NONE
Other operating revenues		2,411,073	61,366
<b>Total operating revenues</b>	470	78,717,057	5,023,430
<b>OPERATING EXPENSES</b>			
Educational and general:			
Instruction		38,932,150	4,131,263
Research	7,155	7,379,354	70,810
Public service	20,175	1,760,946	361,157
Academic support	903	19,508,479	2,068,980
Student services		7,869,419	1,516,629
Institutional support	5,753,790	14,224,215	1,797,151
Operation and maintenance of plant		13,943,781	162,422
Depreciation		6,596,721	621,316
Scholarships and fellowships	86,882	11,231,721	108,646
Auxiliary enterprises		14,138,281	
Other operating expenses	(11,216)	1,479,121	33,499
<b>Total operating expenses</b>	5,857,689	137,064,188	10,871,873
<b>OPERATING LOSS</b>	(5,857,219)	(58,347,131)	(5,848,443)
<b>NONOPERATING REVENUES (Expenses)</b>			
State appropriations	3,544,112	50,996,894	5,929,794
Gifts	113,800	404,559	10,500
Investment income	52,763	1,228,931	95,802
Interest expense		(29,136)	(607)
Other nonoperating revenues (expenses)	2,376,012	4,058,962	161,991
<b>Net nonoperating revenues</b>	6,086,687	56,660,210	6,197,480
<b>Income/(Loss) before other revenues</b>	229,468	(1,686,921)	349,037
Capital appropriations		6,820,236	
Capital grants and gifts		1,480,650	531,198
Additions to permanent endowment		601,400	250
Transfers	3,543,180	(823,202)	(474,411)
<b>Increase in net assets</b>	3,772,648	6,392,163	406,074
<b>NET ASSETS - BEGINNING OF YEAR (Restated)</b>	978,880	137,758,806	2,553,409
<b>NET ASSETS - END OF YEAR</b>	\$4,751,528	\$144,150,969	\$2,959,483

# Schedule 3

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	\$7,945,431	\$4,358,157	\$49,959,120
	(2,894,893)	(1,956,334)	(14,485,254)
NONE	5,050,538	2,401,823	35,473,866
\$2,603,130			2,603,130
2,493,144	13,022,164	13,787,091	68,278,209
246,060	2,698,012	444,918	4,739,051
71,251			71,251
	360,842	434,736	14,263,720
	(27,809)	(14,386)	(589,195)
NONE	333,033	420,350	13,674,525
61,785	733,095	769,262	4,036,581
5,475,370	21,836,842	17,823,444	128,876,613
	6,109,686	4,933,913	54,107,012
986,478	169,604	180,756	8,794,157
2,443,297	947,283	2,286,989	7,819,847
1,210,522	4,322,237	1,026,421	28,137,542
	2,507,966	6,086,469	17,980,483
4,376,286	9,955,744	4,065,624	40,172,810
454,928	2,631,621	1,217,664	18,410,416
	891,058	603,743	8,712,838
	5,164,294	4,083,231	20,674,774
	507,606	340,651	14,986,538
(2,039)	(210,815)	192,655	1,481,205
9,469,472	32,996,284	25,018,116	221,277,622
(3,994,102)	(11,159,442)	(7,194,672)	(92,401,009)
5,659,320	15,221,533	7,150,159	88,501,812
	1,092,620		1,621,479
51,018	268,597	265,750	1,962,861
			(29,743)
286,200	173,439	(3,267)	7,053,337
5,996,538	16,756,189	7,412,642	99,109,746
2,002,436	5,596,747	217,970	6,708,737
			6,820,236
20,262			2,032,110
		180,000	781,650
(1,227,953)	(690,697)	(326,917)	
794,745	4,906,050	71,053	16,342,733
1,266,738	22,987,970	10,123,363	175,669,166
\$2,061,483	\$27,894,020	\$10,194,416	\$192,011,899

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Combining Schedule of Cash Flows, by Campus  
For the Fiscal Year Ended June 30, 2007**

	BOARD AND SYSTEM	BATON ROUGE CAMPUS	LAW CENTER
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Tuition and fees		\$24,369,928	\$3,305,591
Federal appropriations			
Grants and contracts	\$21,274	42,488,628	(403,239)
Payments to suppliers	(1,770,829)	(22,673,634)	(1,579,367)
Payments for utilities		(7,024,391)	
Payments to employees	(3,240,821)	(66,769,172)	(6,815,055)
Payments for benefits	(759,655)	(24,089,628)	(1,480,643)
Payments for scholarships and fellowships	(136,978)	(14,744,785)	(418,315)
Loans issued to students and employees		378,960	
Payments on loans issued to students and employees		13,112,407	
Auxiliary enterprise charges		2,411,073	61,366
Other receipts			
Net cash used by operating activities	(5,887,009)	(52,540,614)	(7,329,662)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
State appropriations	3,428,842	50,814,565	5,934,086
Gifts and grants for other than capital purposes	113,800	404,559	10,500
Private gifts for endowment purposes		601,400	250
TOPS receipts		1,686,654	
TOPS disbursements		(1,640,854)	
Federal Family Education Loan program receipts		71,148,478	
Federal Family Education Loan program disbursements		(71,148,478)	
Other receipts	5,919,574	2,712,213	(321,601)
Net cash provided by noncapital financing sources	9,462,216	54,578,537	5,623,235
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital grants and gifts received		1,366,017	531,198
Purchases of capital assets		(2,415,530)	(715,981)
Principal paid on capital debt and leases		(51,353)	
Interest paid on capital debt and leases		(21,274)	
Net cash provided (used) by capital financing activities	NONE	(1,122,140)	(184,783)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sales and maturities of investments		1,340,844	87,256
Interest received on investments	52,218	1,225,079	101,904
Purchase of investments	(382)	(1,632,366)	(107,791)
Net cash provided by investing activities	51,836	933,557	81,369
<b>Net increase (decrease) in cash and cash equivalents</b>	3,627,043	1,849,340	(1,809,841)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,656,701	23,537,008	2,185,657
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$5,283,744	\$25,386,348	\$375,816

(Continued)



AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
	\$5,245,835	\$2,602,182	\$35,523,536
\$2,603,130			2,603,130
1,981,584	15,719,073	12,351,047	72,158,367
(2,548,731)	(8,280,481)	(6,018,214)	(42,871,256)
	(124,642)	(297,656)	(7,446,689)
(5,381,017)	(13,571,780)	(11,054,736)	(106,832,581)
(1,368,480)	(4,324,811)	(3,259,620)	(35,282,837)
	(5,136,484)	(4,083,234)	(24,519,796)
(146,147)	(159,673)		(305,820)
	163,813	114,986	657,759
	329,097	405,582	13,847,086
61,785	(1,253,134)	591,317	1,872,407
(4,797,876)	(11,393,187)	(8,648,346)	(90,596,694)
5,692,740	14,079,645	7,266,783	87,216,661
	1,092,620		1,621,479
		180,000	781,650
	13,619	82,910	1,783,183
	(13,619)	(82,910)	(1,737,383)
	8,940,305	4,197,792	84,286,575
	(8,940,305)	(4,197,792)	(84,286,575)
(1,109,533)	(348,695)	(370,732)	6,481,226
4,583,207	14,823,570	7,076,051	96,146,816
20,262	(1,093,033)	(584,822)	1,917,477
			(4,809,366)
			(51,353)
			(21,274)
20,262	(1,093,033)	(584,822)	(2,964,516)
51,018	142,010	261,115	1,428,100
		(80,000)	1,833,344
			(1,820,539)
51,018	142,010	181,115	1,440,905
(143,389)	2,479,360	(1,976,002)	4,026,511
1,666,734	11,932,361	(160,883)	40,817,578
\$1,523,345	\$14,411,721	(\$2,136,885)	\$44,844,089

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Combining Schedule of Cash Flows, by Campus, 2007**

	<u>BOARD AND SYSTEM</u>	<u>BATON ROUGE CAMPUS</u>	<u>LAW CENTER</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Operating loss	(\$5,857,219)	(\$58,347,131)	(\$5,848,443)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense		6,596,721	621,316
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, net	22,073	4,834,751	(1,669,055)
Decrease in due from notes receivable		338,395	
(Increase) decrease in inventories		(34,727)	
(Increase) decrease in prepaid expenses	5,468	(4,755,834)	(9,021)
(Increase) decrease in other assets			
Increase (decrease) in accounts payable	(45,645)	(501,266)	(64,662)
Increase (decrease) in deferred revenue	(470)	(609,103)	(393,296)
Increase (decrease) in compensated absences	(11,216)	(25,098)	33,499
Increase (decrease) in other liabilities		(37,322)	
<b>Net cash used by operating activities</b>	<u><u>(\$5,887,009)</u></u>	<u><u>(\$52,540,614)</u></u>	<u><u>(\$7,329,662)</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>			
Cash and cash equivalents classified as current assets	\$4,594,991	\$12,502,275	(\$1,019,150)
Cash and cash equivalents classified as noncurrent assets	<u>688,753</u>	<u>12,884,073</u>	<u>1,394,966</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>\$5,283,744</u></u>	<u><u>\$25,386,348</u></u>	<u><u>\$375,816</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Capital appropriations for construction of capital assets		\$6,820,236	
Net increase in the fair value of investments		296,914	\$14,898
Loss on disposal of capital assets		29,312	

(Concluded)

# Schedule 4

AGRICULTURAL RESEARCH & EXTENSION CENTER	NEW ORLEANS CAMPUS	SHREVEPORT CAMPUS	TOTAL SYSTEM
(\$3,994,102)	(\$11,159,442)	(\$7,194,672)	(\$92,401,009)
	891,058	603,743	8,712,838
(592,896)	(1,077,901)	(1,193,954)	323,018
	4,140		342,535
	7,060		(27,667)
8,104	275,444	(67,734)	(4,543,573)
	(3,185)	95,804	92,619
31,618	(1,549,458)	(506,752)	(2,636,165)
(248,561)	1,446,926	(675,541)	(480,045)
(2,039)	(218,326)	192,655	(30,525)
	(9,503)	98,105	51,280
<u>(\$4,797,876)</u>	<u>(\$11,393,187)</u>	<u>(\$8,648,346)</u>	<u>(\$90,596,694)</u>
\$1,523,345	\$8,341,834	(\$2,290,274)	\$23,653,021
	6,069,887	153,389	21,191,068
<u>\$1,523,345</u>	<u>\$14,411,721</u>	<u>(\$2,136,885)</u>	<u>\$44,844,089</u>

		\$6,820,236
\$125,981	\$603	438,396
	3,267	32,579

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**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on the 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

April 3, 2008

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

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the financial statements of the business-type activities and the discretely presented component unit, which collectively comprise the basic financial statements of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, and have issued our report thereon dated April 3, 2008. Our report was modified to include a reference to other auditors and an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. 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 Southern University System Foundation, as described in our report on Southern University System's financial statements. The financial statements of the Southern University System Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

The Southern University System (System) did not have adequate controls to ensure that its annual fiscal report (AFR) and the related note disclosures were prepared accurately. Louisiana Revised Statute (R.S.) 39:79 authorizes the commissioner of administration to establish the format for obtaining each agency's financial information. The Office of Statewide Reporting and Accounting Policy (OSRAP) designed an AFR to obtain this information and requires a signed affidavit from each agency that the financial statements present fairly the financial information of the agency. OSRAP uses the agency's AFR during its compilation of the state's Comprehensive Annual Financial Report (CAFR). Good internal control includes establishing formal written procedures for compiling financial information included in the AFR and developing an adequate review process to ensure that financial statements are prepared accurately.

The System's AFR that was submitted on September 24, 2007, included the following errors and omissions:

- To comply with the instructions of OSRAP for preparing and submitting its AFR, the System included a component unit, the Southern University System Foundation (Foundation), in its financial statements. At the time the AFR was due to OSRAP, the Foundation's auditor provided only draft (not final) information to the System for inclusion in the AFR. The Foundation's audit report was issued after the AFR was submitted by the System. As a result of not receiving a timely audit from the Foundation, the System subsequently received audit adjustments that were required to make material changes to amounts and disclosures related to the Foundation.
- The Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) and the Combining Schedule of Revenues, Expenses, and Changes in Net Assets included the following errors:
  - Other nonoperating revenues were overstated by \$5,273,407.
  - The Baton Rouge campus overstated other nonoperating revenues and operating expenses by \$1,741,239 because it incorrectly recorded a journal entry.



- The New Orleans campus and Shreveport Campus overstated other nonoperating revenues by \$1,085,522 and \$588,089, respectively, rather than reducing operating expenses when they recorded the capitalization of equipment, library holdings, and construction-in-progress.
- The New Orleans campus misclassified federal revenues totaling \$1,858,557 for the Hurricane Education Recovery Award program as nonoperating revenues.
- The New Orleans campus misclassified the following as other operating revenues: tuition and fees of \$1,305,210; gifts of \$1,092,620; investment earnings of \$53,641; and other nonoperating revenues of \$173,439. In addition, the campus reported \$269,962 as other nonoperating revenues from the Federal Emergency Management Agency that were not earned as of fiscal year-end.
- The Statement of Cash Flows and the Combining Schedule of Cash Flows included the following errors:
  - The Shreveport campus did not report Federal Family Education Loan program receipts and disbursements of \$4,197,792 and TOPS receipts and disbursements of \$82,910.
  - The Baton Rouge campus overstated the TOPS receipts and disbursements by \$1,680,708 because of a calculation error.
- The Cooperative Endeavor Agreements schedule, which is included in a schedule but not included in the financial statements, was understated by the original amount of the agreement of \$106,688,866; the self-generated source of funding and the net liability as of June 30, 2007, of \$100,540,573; and the amount paid from inception to June 30, 2007, of \$6,148,313.
- The financial statement note disclosures included the following errors:
  - The Budgetary Comparison note overstated the actual program expenses and understated the adjustment to budget basis program expenses by \$2,241,429.
  - The Net Assets Restricted by Enabling Legislation note was understated by \$2,884,181.
  - The Contingent Liabilities note overstated damages claimed and insurance coverage by \$106,000.

- The Lease note understated future rental revenues by \$1,260,232; understated current year lease expenses by \$498,051; and understated total future lease expenses by \$641,944.

System management has not placed sufficient emphasis on ensuring that the AFR is properly prepared and reviewed for errors or omissions. Currently, each campus is responsible for its financial statement and note disclosure preparation and each uses different Financial Record System (FRS) reports and/or different methods for using the information in these reports. Failure to submit an accurate AFR to OSRAP could result in a misstatement of the state's CAFR.

System management should develop procedures to include written instructions and a system-level supervisory review of financial information and note disclosures to detect and correct material errors in the AFR before submitting information to OSRAP. We also recommend that management obtain a timely, completed audit of the Foundation before AFR submission deadlines, which will facilitate accurate reporting in the AFR. Management concurred in part with the finding and recommendations and outlined a plan of correction action (see Appendix A, pages 1-9).

### **Control Weaknesses Over Information Technology**

The System has not developed sufficient internal controls over information technology (IT) activities that could affect the integrity of programs, processing, and data. To ensure that the processing of transactions and financial data is performed according to management's design, good internal control requires that IT strategic planning is used to manage and direct university IT resources to ensure they are aligned and delivered in accordance with the university's strategies and priorities; confidential sign-on passwords are changed timely; management of the physical environment is adequate to ensure that computer equipment, software, and personnel are adequately protected; periodic reviews of the computer systems and facilities are performed; and a disaster recovery plan is developed and adequately tested for all IT centers and critical systems.

During all or part of the fiscal year ended June 30, 2007, the following control weaknesses existed:

- The System does not have centralized system-wide IT policies and procedures that govern all the IT centers. In addition, some of the policies and principles defined in the Information Technology and Resource Management strategic plan are outdated based on the current IT systems' and networks' operations and configurations. Furthermore, the Information Technology Executive Committee has not met since its establishment and the Information Technology Management Committee has not met in almost a year.
- The three IT centers that house the financial related systems had password policies that were not in compliance with the Division of Administration,

Office of Information Technology policies. In addition, the existing password protection on certain systems was not adequate to safeguard the systems. Furthermore, these IT centers had no intrusion detection/prevention system and no security scanning.

- User access was not adequately controlled in that the administrator password for one program, which was implemented in April 2007, was not changed until December 2007.
- Sensitive data for one program was not encrypted for protection against unauthorized users.
- Two of the three IT centers that house the financial related systems do not adequately control physical access to the facilities through the use of electronically monitored access systems. In addition, none of the IT centers have water detectors, one does not have smoke detectors, two do not have backup power generators, and one inappropriately has a water sprinkler system.
- The Baton Rouge campus Information Services Division security administrator did not perform reviews of security reports on the established schedule. As a result, a problem with a security report was not identified timely.
- Except for a limited review of user access controls, the internal auditors have not conducted a formal full scope audit of IT general controls or application controls at six of the seven IT centers. The last IT audit for the New Orleans campus was conducted in calendar year 2005.
- One of the three IT centers that house the financial-related systems does not have a comprehensive disaster recovery plan. Of the two that have plans, one has not been updated since fiscal year 2003 and the other is only a draft which has not been formally adopted. One of the IT centers does not use adequate protective storage for onsite backup storage. A hot site is a disaster recovery facility that mirrors the organization's production database in real time. Only two of the three IT centers have tested their hot site annually.

The System has not placed sufficient emphasis on implementing systemwide policies and procedures, maintaining IT facilities and activities, ensuring IT systems are functioning efficiently and effectively, and ensuring adequate resources are available to support user needs. The lack or inadequacy of these internal controls could result in the loss of assets; fraud, destruction, and/or sabotage; system downtime or failure; inaccurate data; noncompliance with certain best industry standards and OIT standards and policies; and could cause ineffective implementation, operation, and security of critical system applications and resources.

The System should establish adequate internal controls over IT activities to ensure the integrity of programs, processing, and data and the adequacy of all disaster recovery plans. Management concurred in part with the finding and provided corrective action plans on those issues where management concurred (see Appendix A, pages 10-25).

### **General Ledger Accounts Not Properly Reconciled**

For the second consecutive year, the System did not properly reconcile its general ledger accounts to its subsidiary records or supporting documentation. Good internal control requires the periodic reconciliation of account balances to ensure that errors and/or fraud are detected timely and to ensure the fair presentation of financial information.

Our audit revealed the following:

- At June 30, 2007, the general ledger liability account for the Federal Family Education Loan program at the Baton Rouge campus, which totaled \$1,274,648, was not reconciled to subsidiary records. Of this total, the breakdown of the amounts owed to students or back to the lender (Sallie Mae) could not be provided for fiscal years 2004 through 2006, which totaled \$1,733,977. A breakdown was provided for fiscal year 2007 which revealed an offsetting receivable of \$459,328.
- At June 30, 2007, the subsidiary ledger for student receivables at the Shreveport campus, which totaled \$615,086, was not reconciled to the general ledger balance of \$902,940.
- At June 30, 2007, the subsidiary ledger for student receivables at the Baton Rouge campus, which totaled \$2,501,037, did not agree to the general ledger balance of \$2,554,616. The difference was the result of processing a journal voucher to update the general ledger system, without making the corresponding entry to the subsidiary ledger at the same time.
- At June 30, 2007, the general ledger balances for the allowance for doubtful accounts for two campuses were not adequately supported. The New Orleans campus did not provide any documentation to support the amount reported in the general ledger. For the Shreveport campus, the documentation provided did not agree to the general ledger balance. The general ledger balances for the New Orleans and Shreveport campuses were \$307,668 and \$184,659, respectively.

Management did not ensure that the System's policies and procedures requiring the reconciliation of the various general ledger accounts to supporting documentation were performed accurately and timely. When accounts are not analyzed or reconciled periodically, assets are placed at a greater risk of fraud and/or misappropriation and

financial records and/or financial statements may not represent the true financial condition of the entity.

Management of the System should ensure that timely and accurate reconciliations of all subsidiary accounts to general ledger balances are performed. A member of management should then review those reconciliations to ensure that all reconciling items are properly supported and that adjustments to correct the ledgers, if any, are made timely. Management concurred in part with the finding and recommendations and outlined a plan of correction action (see Appendix A, pages 26-30).

### **Lack of Control Over Claims Loss Listing**

The Southern University Baton Rouge campus does not have adequate controls in place to ensure the accuracy and completeness of the Office of Risk Management (ORM) quarterly Claims Loss Listing. In accordance with the rules promulgated by the ORM and codified in Title 37, Part 1, Chapter 7 of the Louisiana Administrative Code, agencies must report certain claims and litigation to ORM. ORM requests that each agency and university review the Claims Loss Listing for accuracy and completeness of the claims reported since ORM uses it as the basis to correctly assess the premium rate for insured state entities. This reporting and verification process requires that the university have a system of controls for reporting claims and litigation to ORM and for the quarterly verification of the accuracy and completeness of the Claims Loss Listing. The Southern University Baton Rouge campus compares the Claims Loss Listing to an ORM report that lists all ORM payments made for the campus' claims instead of to the campus' actual claim files.

Failure to ensure that the Claims Loss Listing is accurate and complete subjects the university to the risk of higher or inadequate insurance premiums. The Southern University Baton Rouge campus should implement policies and procedures to ensure that the Claims Loss Listing and claims files are accurate and complete. These procedures should include, but not be limited to, a periodic reconciliation of the Claims Loss Listing to the claim files. Management concurred with the finding and recommendation and outlined a plan of correction action (see Appendix A, pages 31-33).

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, of the significant deficiencies described above, we consider the weakness identified in the finding on Inaccurate Annual Fiscal Report Preparation to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southern University System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 that are required to be reported under *Government Auditing Standards*.

### Noncompliance With Movable Property Regulations

For the third consecutive year, the System did not maintain adequate control over movable property as prescribed by state law. R.S. 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code (LAC) Title 34, Part VII, Section 313 states, in part, that efforts must be made to locate all movable property for which no explanations are available for its disappearance. In addition, good internal control dictates that assets be properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. LAC Title 34, Part VII, Section 309 (A) requires that all items of property to be inventoried be identified with an identification tag. At June 30, 2007, the System has 16,203 movable property items with an original cost of \$56,303,153.

During our tests of movable property, the following deficiencies were noted:

- The System's certifications of annual property inventory, submitted to LPAA from March 6, 2007, through June 20, 2007, identified 714 unlocated movable property items totaling \$1,502,429 (Baton Rouge campus - \$1,222,146; New Orleans campus - \$46,697; and Shreveport campus - \$233,586). Of that amount, items totaling \$533,100 were removed from the property records because they had not been located for three consecutive years. In addition, the amount of unlocated computers and computer-related equipment totaled \$1,059,259 or 70% of the unlocated property reported.

The System has made significant improvements since this finding was first reported in fiscal year 2005. The amount of new unlocated property reported to LPAA has decreased steadily from 250 items totaling \$533,100 in fiscal year 2004 to 118 items totaling \$238,096 in fiscal year 2007.

The New Orleans campus was exempted by LPAA from performing an inventory on the South campus representing approximately \$4.4 million of

movable property because of hurricane damage and environmental concerns at the campus.

- Of the \$6,026,280 of movable property purchases tested, property valued at \$680,418 (11%) was not tagged when received.

The System has not placed sufficient emphasis on controls over movable property. Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the System to noncompliance with state laws and regulations. Because of the nature of the services provided by the System, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management should strengthen its internal control over movable property and strengthen procedures for conducting the physical inventory. In addition, management should ensure that all property is properly tagged and reported accurately and timely to LPAA. Additional efforts should be made to locate missing property from previous years and to develop new procedures to better secure the property. Management concurred in part with the finding and recommendations and outlined a plan of correction action (see Appendix A, pages 34-38).

### **Unapproved Bank Accounts**

The System did not obtain approval from the Cash Management Review Board (CMRB) before opening its bank accounts at its New Orleans campus. R.S. 39:372 requires all state agencies to submit a report of all banking and checking accounts and the balances of each to be approved in writing by the state's CMRB for authorization of the accounts.

At June 30, 2007, the SUS was unable to provide documentation showing that six Southern University New Orleans (SUNO) campus bank accounts with balances totaling \$16,669,498 were approved by the CMRB.

Failure to obtain CMRB approval results in noncompliance with Louisiana law. The System should obtain approval from the CMRB for the SUNO bank accounts. Management concurred with the finding and recommendation and outlined a plan of correction action (see Appendix A, pages 39-40).

### **Theft of University Property**

On July 23, 2007, the System reported that several employees were being investigated for theft of university property. R.S. 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.



The System received information from the Baton Rouge campus administration that several employees were stealing metal fixtures from vacant buildings on the Baton Rouge campus and selling the metals to scrap dealers. As a result of the System's investigation by the Southern University Baton Rouge campus police department, it was determined that 10 employees were involved in selling metal fixtures valued at \$12,785. The university terminated six of the employees, suspended three employees for five days, and reprimanded one employee. In addition, four of the employees were booked into parish prison and six employees were issued summonses. Management expressed that employees who took and sold less than \$500 worth of property were disciplined but not terminated. All employees suspected of participating in the theft were reported to the district attorney. The university has received \$485 in restitution.

Management should continue to seek prosecution of the involved individuals and seek full restitution (see Appendix A, pages 41-42).

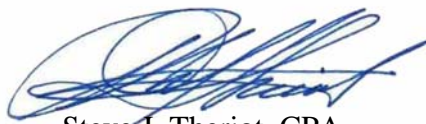
Other external auditors audited the Southern University System Foundation. To obtain a copy of that report, you may write to:

Southern University System Foundation  
Post Office Box 2468  
Baton Rouge, Louisiana 70821

The System's responses to the findings identified previously are attached in Appendix A. We did not audit the System's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the System, its board of directors, its management, others within the university, 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

STD:WDD:PEP:sr

SU07



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





## SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

J.S. CLARK ADMINISTRATION BUILDING  
BATON ROUGE, LOUISIANA 70813

Office of the President  
(225) 771-4680

Fax Number:  
(225) 771-5522

December 21, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

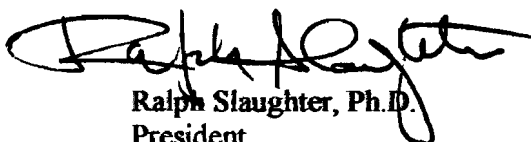
Dear Mr. Theriot:

Attached are the responses of the Southern University System and the following campuses to the finding concerning *"Inaccurate Annual Fiscal Report Preparation"*:

- ◆ Southern University Baton Rouge
- ◆ Southern University at New Orleans
- ◆ Southern University at Shreveport
- ◆ Southern University System Foundation

Please let me know if additional information is needed.

Sincerely,



Ralph Slaughter, Ph.D.  
President  
Southern University System

RS/hac

Enclosures

xc: Mr. Tolor E. White



## SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

J.S. CLARK ADMINISTRATION BUILDING

BATON ROUGE, LOUISIANA 70813

Office of the President  
(225) 771-4680

Fax Number:  
(225) 771-5522

December 20, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

### **Re: Inaccurate Annual Fiscal Report Preparation**

Dear Mr. Theriot:

We concur with the findings of the Legislative Auditor related to "*Inaccurate Annual Fiscal Report Preparation*". The System Office of the Vice President for Finance and Business Affairs & Comptroller will work with the campuses to ensure that controls are in place to accurately and timely report financial information.

The Office of the Vice President for Finance and Business Affairs & Comptroller will develop a policy statement which requires the institutions within the System to comply with the applicable standards set forth by the Governmental Accounting Standards Board (GASB) in the statements identified below:

- ♦ **Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting—Statement Number 9;**
- ♦ **Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments—Statement Number 34; and**
- ♦ **Statement Number 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, which is an Amendment of GASB Statement No. 34, and other related statements.**

Mr. Steve J. Theriot  
Legislative Auditor  
December 20, 2007  
Page2

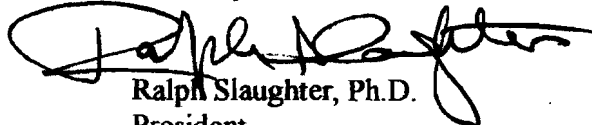
Existing policies and procedures will be reviewed, and adjustments made where necessary, in order to ensure that the consolidated financial statements and annual report reflect accounting data based on generally accepted accounting standards and applicable guidelines. It will be required and mandated that financial statements be properly reviewed prior to the timely submission of the report to the Office of the Vice President for Finance and Business Affairs & Comptroller. The Chancellor of each campus, through his or her Vice Chancellor for Finance and Administration, must ensure that the information included in the annual report accurately reflects the financial operations of the campus. We intend to implement the policy statement by March 1, 2008.

Also, every effort will be made to achieve full compliance with the reporting requirements as set forth by the Office of the Statewide Reporting and Accounting Policy (OSRAP) in a timely manner.

The contact person for corrective action is Mr. Tolor E. White, Vice President for Finance and Business Affairs & Comptroller.

Please let me know if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Slaughter", written over the printed name.

Ralph Slaughter, Ph.D.  
President  
Southern University System

TEW/hac



Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

December 19, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: INACCURATE ANNUAL FISCAL REPORT PREPARATION**

Dear Mr. Theriot:

The following response is submitted for the reportable audit finding for Southern University - Baton Rouge Campus pertaining to *"Inaccurate Annual Fiscal Report Preparation."*

Southern University - Baton Rouge Campus concurs in part with this finding.

The basic financial statements for Southern University - Baton Rouge Campus were not materially misstated for the fiscal year nor was there a potential for a material misstatement of the basic financial statements. The Office of Statewide Reporting and Accounting Policy requires a signed affidavit from the University stating that the *"financial statements ...present fairly the financial position...and the results of operations for the year then ended.* There were no material audit adjustments made to either the University's net assets (financial position) or its results of operations for the fiscal year. Specific findings related to the Baton Rouge Campus are addressed below.

**BASIC FINANCIAL STATEMENT ADJUSTMENTS:**

- Although this overstatement did not change the University's results of operation for the fiscal year, the University concurs that Other Nonoperating Revenues and Operating Expenses were overstated by \$1,741,239 on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA). Additional controls will be implemented over the journal vouchers review and approval process to ensure that journal vouchers are appropriately classified in the accounting records.

- Although this overstatement did not change the University's cash position for the fiscal year, the University concurs that TOPS receipts and disbursements was overstated by \$1,680,708 on the Statement of Cash Flows. Additional checks and balances will be incorporated in the financial statement preparation and review process to timely detect calculation errors.

#### **NOTES TO THE FINANCIAL STATEMENTS:**

- The Net Assets Restricted by Enabling Legislation note was overstated by \$254,207 for the Baton Rouge Campus. This note adjustment does not have an effect on the basic financial statements.
- The amount of \$106,000 was obtained from the contingent liability schedule as submitted by legal counsel; however the preparer of the note did not take into consideration the classification of the liability which would have supported the decision to exclude the liabilities from the note.
- The University concurs with the finding related to leases. The amounts reported for the future rental revenues and total future revenues were correct on the work papers provided to the auditors. The reason for the understatement appears to be a typing error that was not detected in the proofing process.

The University will revise its year end closing calendar to allow sufficient time to prepare, review, and edit the amounts reported in the note disclosures.

#### **Plan for Corrective Action**

The Baton Rouge Campus will continue to strengthen its controls over financial reporting and review of the Annual Fiscal Report to prevent future omissions and errors. The Baton Rouge Campus Finance staff has developed a draft procedures manual for preparing and reviewing the Annual Fiscal Report which will be finalized and implemented prior to the end of the 2008 fiscal year. Also, the Campus will revisit the year end closing calendar and related task assignments to allow additional time for the actual report preparation, review, and edit process.

The point of contact for corrective action is Gwendolyn Bennett, Associate Vice Chancellor, Celeste Wilkinson, Associate Comptroller and Monica Mealie, Associate Comptroller. The Office of Finance and Administration will provide administrative oversight in the implementation of the corrective actions. The anticipated completion date for corrective action is June 30, 2008.

You may contact Vice Chancellor Flandus McClinton, Jr. at (225) 771-5021, if you have questions or need assistance regarding further action related to this finding.

Sincerely,

*Margaret S. Ambrose/E.A.*  
Margaret S. Ambrose  
Interim Chancellor





OFFICE OF THE CHANCELLOR


**SOUTHERN UNIVERSITY AT NEW ORLEANS**

6801 Press Drive  
New Orleans, LA 70126-0002  
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FAX (504) 284-5500  
www.suno.edu

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2007 DEC 18 AM 11:35  
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SYSTEM

**M E M O R A N D U M**

**TO:** Mr. Steve J. Theriot  
Legislative Auditor

**FROM:** Dr. Victor Ukpolor   
Chancellor

**DATE:** December 17, 2007

**RE:** Inaccurate Annual Fiscal Report Preparation

Below is the official response relating to the 2007 reportable finding as noted by the Legislative Auditor. This submission is applicable to the finding for the New Orleans Campus.

**Inaccurate Annual Fiscal Report Preparation**

We concur with the auditors' finding that the University did not have adequate control to ensure that its annual fiscal report and the related note disclosure were prepared accurately.

SUNO will work closer with the system office in the preparation of the annual report and the related note disclosure to ensure accurate reporting.

The contact persons responsible for the corrective action are Mr. Woodie White, Comptroller and Dr. Gerald Williams, Vice-Chancellor for Administration and Finance.

Please contact Dr. Gerald Williams, Vice-Chancellor for Administration and Finance, at 504-286-5117 if you have any questions or need additional information regarding the attached response.

pc: Dr. Ralph Slaughter  
Dr. Gerald Williams



SOUTHERN UNIVERSITY  
AT SHREVEPORT

OFFICE OF THE CHANCELLOR

December 17, 2007

Mr. Steve J. Theriot, CPA  
Office of Legislative Auditor  
State of Louisiana  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This document represents a response by the Southern University-Shreveport campus for the period ending June 30, 2007 for the reportable audit finding, *"Inaccurate Annual Fiscal Report Preparation"*.

Southern University-Shreveport concurs with the finding. The University will work with System and other campus fiscal personnel to develop procedures to include written instructions and a system-level review of financial information and note disclosures. Inherent differences in human and computer resources for each campus should be taken into account during this review process. The implementation of this process will aid in the detection of material errors in the AFR prior to submission to OSRAP.

Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration, Mrs. Wanda Lewis, Accounting Director, and Mr. Tim Ehle, Bursar, are the responsible persons for ensuring that the necessary corrective actions are taken.

Should you have questions or require additional information, I can be reached at (318) 674-3312.

Respectfully submitted,



Ray L. Belton, Ph.D.  
Chancellor

BWP/lhb

xc: Benjamin Pugh, Vice Chancellor

3050 MARTIN LUTHER KING, JR. DRIVE • SHREVEPORT, LOUISIANA 71107  
PHONE: (318) 674-3312 • FAX: (318) 674-3374  
TOLL FREE: 1-800-458-1472, EXT. 312  
WWW.SUSLA.EDU

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Post Office Box 2468  
Baton Rouge, LA 70821



(225) 771-3911  
(225) 771-3242 fax

December 19, 2007

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

In re: Southern University System's AFR errors and omissions— component unit

In reply to your request for an official response to the reportable audit findings for Southern University System's Annual Fiscal Report, we present the following as relates to the Southern University System Foundation's component unit portion of the annual fiscal report:

- The finding represents that the Foundation as a component unit of the Southern University System was included in its financial statements based on information provided in a draft of the audit report. As a result of not receiving a timely final audit from the Foundation, the System subsequently received audit adjustments that were required to make material changes to amounts and disclosures related to the Foundation.
- We concur in part with clarification of the fact that the "material changes to amounts" occurred within the disclosures, the net asset amount was not affected.
- Corrective Action:
  - The Foundation will to do everything possible to insure timely completion of the audit report for inclusion in the System's annual fiscal report.
  - The Foundation will adhere to established System directives regarding formal written procedures and review processes for compiling financial information to be included in the System's Annual Financial Report
  - We anticipate completion of the Foundation's audit by June 30<sup>th</sup>.
  - Contact person – Dr. Ernie T. Hughes

Sincerely,

A handwritten signature in black ink, appearing to read "Ernie T. Hughes".

Ernie T. Hughes  
Executive Director



## SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

J.S. CLARK ADMINISTRATION BUILDING  
BATON ROUGE, LOUISIANA 70813

Office of the President  
(225) 771-4680

Fax Number:  
(225) 771-5522

April 1, 2008

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached are the responses of the following campuses in the Southern University System, to the finding concerning *"Control Weaknesses over Information Technology"*:

- ◆ Southern University System - Information and Technology Resource Management Department
- ◆ Southern University Baton Rouge
- ◆ Southern University at New Orleans
- ◆ Southern University at Shreveport
- ◆ Southern University System – Office of the Internal Auditor

Please let me know if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Slaughter", is written over a horizontal line.

Ralph Slaughter, Ph.D.  
President  
Southern University System

RS/hac

Enclosures

xc: Mr. Tolor E. White

**Southern University System  
Information and Technology Resource Management Department**

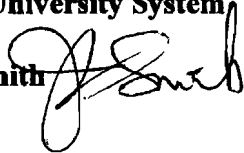
**Office of the Director**  
J.S. Clark Administration Building 4<sup>th</sup> Floor  
Southern University and A & M College  
Baton Rouge, LA 70813

Telephone : (225) 771-5150  
Fax : (225) 771-2807

**MEMORANDUM**

**To: President Ralph Slaughter  
Southern University System**

**From: Jesse L. Smith**



**Date: 4/1/2008**

**Re: Response to the 2007 Reportable IT Audit Findings**

**Attached is our response to the 2007 Reportable IT Audit findings affecting the Southern University System IT Office.**

**Please contact me if there are questions regarding this response.**

# Southern University System

## Information and Technology Resource Management Department

**Office of the Director**  
J.S. Clark Administration Building 4<sup>th</sup> Floor  
Southern University and A & M College  
Baton Rouge, LA 70813

Telephone :(225) 771-5150  
Fax :(225) 771-2807

April 1, 2008

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

### **RE: Control Weaknesses over Information Technology**

Mr. Theriot:

The following response is submitted for the reportable IT finding entitled, "***Control Weaknesses over Information Technology***" for the 2007 fiscal year.

#### **IT Control Weakness:**

SUS does not have centralized system-wide IT policies and procedures that govern all the IT centers. In addition, some of the policies and principles defined in the Information Technology and Resource Management strategic plan are outdated based on current IT systems and network operations and configurations....

#### **Response:**

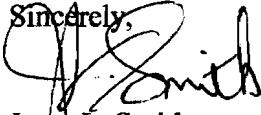
Whereas ITRM agrees with the recommendation and recommends implementation, current project priorities have limited the timing for this issue. Once the BANNER Implementation Project is fully underway, then priorities can be shifted to address IT Governance; however it is planned through Banner Implementation that the following will be addressed:

1. The Role of ITRM will be strengthened through the responsibilities acquired in BANNER Implementation coordination. A vehicle for communications will be established to ensure the dissemination of project status information. Also, website information will be posted for the casual user to review.
2. Executive Level and Functional Level Committees will be established to ensure adequate decision making authority. These executive level committees will be continued after BANNER Project end to review and approve System IT policies and procedures.
3. BANNER Implementation will dictate the formulation of long term business strategies which can be applied to the current Technology Strategic Plan.

*A Department Serving the Campus, the University, and the System*

These items will be byproducts of the BANNER Implementation strategy.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Smith", written over the word "Sincerely,".

Jesse L. Smith  
System ITRM Director



RECEIVED  
APR 10th  
2008 APR 22 PM 12:20  
VP/FIN. AFFAIRS & COMPTROLLER

Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

## MEMORANDUM

**TO:** Dr. Ralph Slaughter  
Southern University System President

**FROM:** Margaret S. Ambrose *Margaret S. Ambrose J.D.*  
Interim Chancellor

**DATE:** April 1, 2008

**RE:** Official Response to Legislative Auditor Reportable Finding  
Control Weakness Over Information Technology

Attached is the official response relating to the 2007 reportable finding of the Legislative Auditor. This submission is applicable to Control Weakness Over Information Technology for the Baton Rouge Campus.

Please contact Vice Chancellor Flandus McClinton if you have questions or need additional information regarding the attached response.

Attachment

cc: Mr. Flandus McClinton, Vice Chancellor for Finance and Administration





Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

March 28, 2008

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: CONTROL WEAKNESSES OVER INFORMATION TECHNOLOGY**

Dear Mr. Theriot:

The following response is submitted for the reportable finding entitled, "***Control Weaknesses Over Information Technology***." This response is applicable to the Baton Rouge Campus.

The University concurs in part with this finding. Specific areas of concurrence, partial concurrence, or non-concurrence are discussed below.

- **Password policies not in compliance with the Division of Administration, Office of Information Technology policies. No intrusion detection/prevention system and no security scanning.**

Southern University - Baton Rouge Campus concurs in part with this finding. The Office of Information Technology (OIT) policy as supported by OIT Standard 009, **Authentication/Password Transition** states "***all newly deployed systems and applications must be compliant with this standard. Where, possible, existing systems and applications should be modified to become compliant with this standard. However, those systems requiring extensive modifications are exempt from this standard.***" The University's Password Security System that was in place at the time of the audit did not support the password policy of OIT. To become compliant would have required extensive modification, therefore compliance was not possible and the University took advantage of the exemption clause allowed by Standard 009. The University is in the process of upgrading to the latest release of the

Password Security System. The latest release which is scheduled for implementation in June 2007 will comply with OIT policy.

During the period of the audit, SUBR owned and operated the Tipping Point Intrusion Prevention System. This system's active scanner scans incoming and outgoing firewall traffic and drops malicious traffic both outgoing and incoming. In order to provide additional security, the University has purchased and is in the process of implementing a more enhanced system that will adequately address intrusion detection /prevention and security scanning.

- **User access was not adequately controlled in that the administrator password for one program, which was implemented in April 2007, was not changed until December 2007.**

Southern University - Baton Rouge Campus concurs with this finding. The administrator password was changed on November 29, 2007 to allow a password and user id to be assigned to individual administrators.

- **Sensitive data for one program was not encrypted for protection against unauthorized users.**

Southern University - Baton Rouge Campus concurs with this finding. The encryption software for the one program cited above was installed on March 27, 2008.

- **Physical access to the IT facilities not adequately controlled for two of the three IT centers. None of the IT centers have water detectors installed.**

Southern University - Baton Rouge Campus concurs in part with this finding. At the time of the audit, the University's Information Technology Center provided the required physical and environmental controls, except for the water detectors, which were installed subsequent to the audit.

- **Information Services Division security administrator did not perform reviews of security reports on the established schedule.**

Southern University - Baton Rouge Campus concurs with this finding. The University's Information Systems Division has placed all vital security reports in the Virtual Storage Extender (VSE) job scheduler and has established a security print repository to ensure that reports are generated on an automated schedule and that the reports are maintained to allow the security administrator to review the reports as they are generated.

- **One of the three IT centers does not have a comprehensive disaster recovery plan. Of the two that have plans, one has not been updated since 2003 and the other plan is only a draft. One IT center does not use adequate protective**

**storage for onsite backup storage. Only two of the three IT centers has tested it hot site annually.**

Southern University - Baton Rouge Campus management concurs in part with this finding. Southern University at Baton Rouge had a comprehensive disaster recovery plan at the time of the audit. The plan included a tested hot site. The University's plan has been updated. The University also had a contract for offsite storage at the time of the audit.

#### **Plan for Corrective Action**

Southern University at Baton Rouge will continue to strengthen and monitor existing controls over its IT operations to ensure the integrity over processing, programs, and data. Corrective actions outlined above will be monitored on a regular basis to ensure on-going compliance with OIT and industry standards.

The point of contact for corrective action is Mrs. Willie Francois, Director, Information Systems Division, and Mr. Huey Lawson, Director of Technology and Network Services. The Office of the Vice Chancellor for Finance and Administration will provide administrative oversight in the implementation of the corrective actions.

You may contact Vice Chancellor Flandus McClinton, Jr. at (225) 771-5021, if you have questions or need further assistance regarding the corrective actions related to this finding.

Sincerely,

*Margaret S. Ambrose/E.D.*

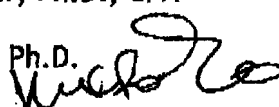
Margaret S. Ambrose  
Interim Chancellor

**SOUTHERN UNIVERSITY AT NEW ORLEANS**

6801 Press Drive  
New Orleans, LA 70126-0002  
(504) 286-5311  
FAX (504) 284-5500  
www.suno.edu

OFFICE OF THE CHANCELLOR

**M E M O R A N D U M**

**TO:** Ralph Slaughter, Ph.D., CPA  
**FROM:** Victor Ukpolo, Ph.D.  
Chancellor   
**DATE:** April 1, 2008  
**RE:** Responses to Audit Findings for Fiscal Year June 30, 2007

---

Below are the IT audit responses for Southern University at New Orleans.

**Control Weaknesses Over Information Technology**

The Southern University System (SUS) has not developed sufficient internal controls over information technology (IT) activities that could affect the integrity of programs, processing, and data. To ensure that the processing of transactions and financial data is performed according to management's design, good internal control requires that IT strategic planning is used to manage and direct university IT resources to ensure they are aligned and delivered in accordance with the university's strategies and priorities; confidential sign-on passwords are changed timely; management of the physical environment is adequate to ensure that computer equipment, software, and personnel are adequately protected; periodic reviews of the computer systems and facilities are performed; and a disaster recovery plan is developed and adequately tested for all information technology centers and critical systems.

During all or part of the fiscal year ended June 30, 2007, the following control weaknesses existed:

SUS does not have centralized system-wide IT policies and procedures that govern all the IT centers. In addition, some of the policies and principles defined in the Information Technology and Resource Management strategic plan are outdated based on the current IT systems' and networks' operations and configurations. Furthermore, the Information Technology Executive Committee has not met since its establishment and the Information Technology Management Committee has not met in almost a year.

**Response:** This process is not performed at Southern University at New Orleans.

The three IT centers that house the financial related systems had password

policies that were not in compliance with the Division of Administration, Office of Information Technology policies. In addition, the existing password protection on certain systems were not adequate to safeguard the systems. Furthermore, these IT centers had no intrusion detection/prevention system and no security scanning.

**Response:** Southern University at New Orleans acknowledges that the Student Information Systems (SIS) password policies are insufficient as compared to the recognized industry best practices. Corrective actions will include implementation of a password policy that requires users to change passwords every six (6) months. The password structure will be modified to require eight characters including one (1) alphanumeric and one (1) numeric character.

User access was not adequately controlled in that the administrator password for one program, which was implemented in April 2007, was not changed until December 2007.

**Response:** This process is not performed at Southern University at New Orleans.

Sensitive data for one program was not encrypted for protection against unauthorized users.

**Response:** This process is not performed at Southern University at New Orleans.

Two of the three IT centers that house the financial related systems do not adequately control physical access to the facilities through the use of electronically monitored access systems. In addition, none of the IT centers have water detectors, one does not have smoke detectors, two do not have backup power generators, and one inappropriately has a water sprinkler system.

**Response:** The Southern University at New Orleans data center is still housed in a temporary facility. Therefore, the ability to meet some of the requirements in this finding is limited. Subsequently, Southern University at New Orleans acknowledges that it does not have a water sprinkler or backup power generator. However, Southern University at New Orleans does have electronic physical access controls in effect. These controls unfortunately do not include monitored access logging. Currently, the administration has begun the initial stages of building a state of the art Technology Center. When completed, this new facility will address all of the indicated controls. .

The Baton Rouge campus Information Services Division security administrator did not perform reviews of security reports on the established schedule. As a result, a problem with a security report was not identified timely.

**Response:** This process is not performed at Southern University at New Orleans.

Except for a limited review of user access controls, the internal auditors have not

conducted a formal full scope audit of information technology general controls or application controls at six of the seven IT centers. The last IT audit for the New Orleans campus was conducted in calendar year 2005.

**Response:** Southern University at New Orleans concurs with this finding. However, an I.T. audit was performed by the Internal Auditor's office during the calendar year 2007. There were two major findings communicated to the I.T. department in draft form:

1. The I.T. department did not have a fireproof and waterproof storage container for data back-ups on site. In response to this, the I.T. department purchased the required container and implemented it as a part of it's' policies and procedures.
2. Personnel changes were not reflected in the system security in a timely fashion. For example an employee may have been terminated but I.T. had no knowledge so their user accounts were still active. To correct this, the I.T. director requested and received an HRS Focus account which was used to generate periodic employee audit reports. This allowed the I.T. department to proactively adjust the user accounts in a timely fashion and subsequently correct this finding.

One of the three IT centers that house the financial related systems does not have a comprehensive disaster recovery plan. Of the two that have plans, one has not been updated since fiscal year 2003 and the other is only a draft which has not been formally adopted. One of the IT centers does not use adequate protective storage for onsite backup storage. A hot site is a disaster recovery facility that mirrors the organization's production database in real time. Only two of the three IT centers has tested its hot site annually.

**Response:** Southern University at New Orleans does have a comprehensive disaster recovery plan. This plan does incorporate protective onsite and off-site backup storage. It also incorporates a hot site disaster recovery site as well. However, Southern University at New Orleans has not performed a test of the plan. The University is currently initiating a test of the current plan. This test will also include an actual tour of the facilities as well. Furthermore, Southern University at New Orleans has implemented a virtual solution to aid in the efficiency of hardware usage, data management and disaster recovery.

SUS has not placed sufficient emphasis on implementing system-wide policies and procedures, maintaining IT facilities and activities, ensuring that IT systems are functioning efficiently and effectively, and that adequate resources are available to support user needs. The lack or inadequacy of these internal controls could result in the loss of assets; fraud, destruction, and/or sabotage; system downtime or failure; inaccurate data; noncompliance with certain best industry standards and OIT standards and policies; and could cause ineffective implementation, operation, and security of critical system applications and resources. The SUS should establish adequate internal controls over IT activities to ensure the integrity of programs, processing, and data and the adequacy of all disaster recovery plans.

**Response:** This process is not performed at Southern University at New Orleans.



OFFICE OF THE CHANCELLOR

**SOUTHERN UNIVERSITY  
AT SHREVEPORT**

April 1, 2008

Dr. Ralph Slaughter, President  
Southern University System  
4<sup>th</sup> Floor, J. S. Clark Administration Building  
Baton Rouge, Louisiana 70813

**RE: SUSLA's Responses to Audit Recommendations**

Dear Dr. Slaughter:

Per your request to receive an official response from each campus' Chancellor, please find attached the "Responses to Audit Recommendations" from the Southern University at Shreveport Louisiana (SUSLA) campus.

Southern University at Shreveport is committed to and will institute strategic plans to addressing the findings and recommendations of this audit relative to Disaster Recovery, Physical and Environmental Controls, and Security Management and Monitoring.

If additional documentation is required, please advise me by calling (318) 674-3312 or email my administrative assistant Mrs. Carolyn Webb-Alexander at [cwebb@susla.edu](mailto:cwebb@susla.edu) and this office will respond accordingly.

With warm regards,



Ray L. Belton, Ph.D.  
Chancellor

/cwa

Attachments: 2

3050 MARTIN LUTHER KING, JR. DRIVE • SHREVEPORT, LOUISIANA 71107  
PHONE: (318) 674-3312 • FAX (318) 674-3374  
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[www.susla.edu](http://www.susla.edu)

"AN EQUAL OPPORTUNITY EMPLOYER BY CHOICE, REGARDLESS OF RACE, CREED, SEX, DISABILITY OR VETERAN STATUS"

**Southern University at Shreveport**  
**Responses to Audit Recommendations**

April 1, 2008

**PF-17-E-3: Inadequate Disaster Recovery Planning**

One of the three IT centers that house the financial related systems does not have a comprehensive disaster recovery plan. Of the two that have plans, one has not been updated since fiscal year 2003 and the other is only a draft which has not been formally adopted. One of the IT centers does not use adequate protective storage for onsite backup storage. A hot site is a disaster recovery facility that mirrors the organization's production database in real time. Only two of the three IT centers has tested its hot site annually.

SUSLA – Disaster Recovery is addressed utilizing a hot stand-by facility at our remote downtown campus site. The Banner System database application servers, and web and print services are backed up overnight over a secured private line. The DR failover is tested periodically and was successfully activated due to a critical hardware malfunction during registration in the Fall of 2006.

Current plan is to deploy similar DR systems as funding becomes available for other services, specifically the email, BlackBoard, and Administrative file-shares. In addition, SUSLA is refining the DR documentation to include detail technical steps for recovering systems and services as recommended during the Audit. The final document will be endorsed by management and formally adopted.

**PF-17-E-4: Inadequate Physical and Environmental Control**

Two of the three IT centers that house the financial related systems do not adequately control physical access to the facilities through the use of electronically monitored access systems. In addition, none of the IT centers have water detectors, one does not have smoke detectors, two do not have backup power generators, and one inappropriately has a water sprinkler system.

SUSLA – The current data center was carved out of a building that was originally not built for such use. However, this practice is by no means unique to SUSLA as most data centers are housed in dated buildings. SUSLA continually addressed this limitation through proactive renovation to the data center i.e. elevated flooring, separate HVAC, fire-proof storage, standby fire extinguisher etc.

Continued efforts, funds permitting, will include further enhancements such as the installation of an effective cooling system, standby power generator, card-entry systems, and expansion of existing perimeter video surveillance systems to monitor the server room.



**PF-17-E-5: Inadequate Security Management & Monitoring**

The three IT centers that house the financial related systems had password policies that were not in compliance with the Division of Administration, Office of Information Technology policies. In addition, the existing password protection on certain systems was not adequate to safeguard the systems. Furthermore, these IT centers had no intrusion detection/prevention system and no security scanning.

SUSLA – The University currently employs stringent Security Controls to protect data resources and infrastructures. Specific security apparatus in place include:

- Active Directory (AD) authentication for all domain users
- Strong password enforcement for employees
- Access Control Lists (ACLs), TCP/UDP protocol inspection, and NAT and PAT at the firewall and border gateway
- Integrated AD User and Host authentication for Wireless LAN (wLAN) access. Wireless access proactively monitored via Cisco Wireless Controller System and Cisco Wireless Location Appliance to detect connected devices, and effectively disable rogue Access Points and clients
- Deactivation of unused ports on LAN switches until needed to prevent unauthorized access
- SSL connections to application services including Banner, email, BlackBoard, etc.
- Intelligent virus and content scanning, filtering, and blacklists enforcement for incoming emails
- Automated desktop and laptop computers scanning for viruses, Trojan horses, adware, and malicious programs using Symantec Enterprise
- "DeepFreeze Enterprise" implementation in computer labs to prevent unauthorized software installation, virus propagation, and for restoring workstations to original configurations
- Disabling Administrator privileges on employees computer systems to prevent unauthorized software installation, virus propagation, and maintaining workstations configurations
- Automated software updates to domain PCs and laptops via "Windows Update Services" (WSUS), and
- Routine management of network services and devices using Cisco Works, SolarWinds Engineering Toolset, and Ethereal

The university weighed the implementation of a Firewall Services versus an Intrusion-Detection (ID) system a while back, but implemented the firewall security as a matter of priority due to lack of funds. Ongoing plan is to implement an ID monitoring device such as "Trace Security" made available recently through the BOR. We also plan to implement the "Cisco Clean Access" solution in the very near term as soon as funds are available, to further enhance network security.

In conclusion, SUSLA is committed to and will institute strategic plans to addressing the findings and recommendations of this audit relative to Disaster Recovery, Physical and Environmental Controls, and Security Management and Monitoring.



OFFICE OF THE INTERNAL AUDITOR  
J. S. Clark Adm. Bldg. - 4th Floor  
[225] 771-2520  
FAX [225] 771-2807

## MEMORANDUM

To: President Ralph Slaughter  
Southern University System

From: Linda H. Catalon

Date: 4/1/2008

Re: Response to the 2007 Reportable IT Audit Findings

Attached is our response to the 2007 Reportable IT Audit findings, affecting the Southern University Board and System Internal Auditor Office.

Please contact me if there are questions regarding this response.



OFFICE OF THE INTERNAL AUDITOR  
J. S. Clark Adm. Bldg. - 4th Floor  
[225] 771-2520  
FAX [225] 771-2807

April 1, 2008

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**RE: Control Weaknesses over Information Technology**

Mr. Theriot:

The following response is submitted for the reportable IT Finding entitled, "*Control Weaknesses over Information Technology*" for the 2007 fiscal year.

**IT Control Weakness:**

Except for a limited review of user access control, the internal auditors have not conducted a formal full scope audit of information technology general controls or application controls at six of the seven IT Centers.

**Response:**

We concur with the fact that a full scope IT general controls or application controls audit has not been performed on all campuses within the Southern University System in several years. However, the Southern University Board and Systems' Internal Audit department is currently developing a new organizational structure that will include an IT Audit position. We are currently in the process of receiving applications and resumes from viable candidates to fill this position in the near future.

Sincerely,

Linda H. Catalon  
Internal Audit Director



## SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

J.S. CLARK ADMINISTRATION BUILDING  
BATON ROUGE, LOUISIANA 70813

Office of the President  
(225) 771-4680

Fax Number:  
(225) 771-5522

December 21, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached are the responses of the following campuses in the Southern University System to the finding concerning *"General Ledger Accounts not Properly Reconciled"*:

- ◆ Southern University Baton Rouge
- ◆ Southern University at New Orleans
- ◆ Southern University at Shreveport

Please let me know if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Slaughter".

Ralph Slaughter, Ph.D.  
President  
Southern University System

RS/hac

Enclosures

xc: Mr. Tolor E. White



Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

December 19, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: GENERAL LEDGER ACCOUNTS NOT PROPERLY RECONCILED**

Dear Mr. Theriot:

The following response is submitted for the reportable audit finding for Southern University - Baton Rouge Campus pertaining to ***"General Ledger Accounts Not Properly Reconciled."***

Southern University - Baton Rouge Campus concurs in part with this finding.

The University concurs with the Federal Family Education Loan Program finding. The University has made substantial progress in reconciling the subsidiary ledger detail to the general ledger control for this account. Both ledgers have been reconciled. Steps are now underway to either return funds or post adjustments to students' accounts. Procedures are being implemented to ensure that all student accounts are researched and ledgers are reconciled. The University will also address procedures for monitoring this account on a regular and on-going basis.

The University concurs in part with the student receivable finding. This is not a repeat finding. For the first year a journal entry in the amount of \$53,579 was inadvertently posted to the general ledger and was not reversed prior to closing the books for the fiscal year. The journal entry was detected when preparing the financial statements but was not reversed at that time because the University had discontinued recording journal vouchers for the fiscal year to allow sufficient time for preparing the annual fiscal report. Since there was no effect on the overall receivable balance reported in the financial statements a decision was made to reverse the journal voucher in the subsequent fiscal year. This journal voucher was provided to the auditor by University staff when asked to explain the difference between the general and subsidiary ledger amounts. In the future the

**Page 2**  
**(December 19, 2007)**

University will ensure that all journal entries, regardless of the amount and effect on the financial statements are posted in the appropriate fiscal year.

**Plan for Corrective Action**

The University will continue in its efforts to ensure that existing policies and procedures for reconciling general ledger accounts are performed accurately and timely. The journal voucher for \$53,579 has been reversed in the general ledger. The financial aid staff is continuing in their efforts to research the subsidiary detail balances and make a determination for the disposition of the remaining funds in the account. Additional resources have been provided to the financial aid staff to assist with this effort. The University will provide the necessary resources to ensure that the account is researched and disposition of funds is completed by June 30, 2008.

The point of contact for corrective action is Ursula Shorty, Financial Aid Director, Celeste Wilkinson, Associate Comptroller, and Demetria George, Assistant Comptroller/Bursar. The Offices of Enrollment Management and Finance and Administration will provide administrative oversight in the implementation of the corrective actions.

You may contact Vice Chancellor Flandus McClinton, Jr. at (225) 771-5021, if you have questions or need assistance regarding further action related to this finding.

Sincerely,

A handwritten signature in black ink, reading "Margaret S. Ambrose", followed by a horizontal line.

Margaret S. Ambrose  
Interim Chancellor




**SOUTHERN UNIVERSITY AT NEW ORLEANS**

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www.suno.edu

**OFFICE OF THE CHANCELLOR**

**MEMORANDUM**

**TO:** Mr. Steve J. Theriot  
Legislative Auditor

**FROM:** Dr. Victor Ukpolo   
Chancellor

**DATE:** December 21, 2007

**RE:** **Official Response to Legislative Auditor Reportable Finding**

Below is the official response relating to the 2007 reportable finding as noted by the Legislative Auditor. This submission is applicable to the finding for the New Orleans Campus.

**General Ledger Accounts Not Properly Reconciled**

We concur with the auditors' finding that the University did not properly reconcile its general ledger account to its subsidiary records.

- The University will prepare the analysis for doubtful accounts and post the required entry to adjust the allowance for doubtful accounts to its general ledger.

The contact persons responsible for the corrective action are Mr. Woodie White, Comptroller and Dr. Gerald Williams, Vice-Chancellor for Administration and Finance.

Pc: Dr. Ralph Slaughter  
Dr. Gerald Williams  
Mr. Woodie White

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SOUTHERN UNIVERSITY  
AT SHREVEPORT

OFFICE OF THE CHANCELLOR

December 17, 2007

Mr. Steve J. Theriot, CPA  
Office of Legislative Auditor  
State of Louisiana  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This document represents a response by the Southern University-Shreveport campus for the period ending June 30, 2007 for the reportable audit finding, *"General Ledger Accounts Not Properly Reconciled"*.

Southern University-Shreveport concurs with the finding. The University will review policies and procedures relative to the reconciliation of general ledger accounts. Additionally, the University will implement procedures to ensure that timely and accurate reconciliations of all subsidiary ledgers to general ledger balances are performed.

Mr. Benjamin Pugh, Vice Chancellor for Finance and Administration, Mrs. Wanda Lewis, Accounting Director, and Mr. Tim Ehle, Bursar, are the responsible persons for ensuring that the necessary corrective actions are taken.

Should you have questions or require additional information, I can be reached at (318) 674-3312.

Respectfully submitted,



Ray L. Belton, Ph.D.  
Chancellor

BWP/lhb

xc: Benjamin Pugh, Vice Chancellor





## SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

J.S. CLARK ADMINISTRATION BUILDING  
BATON ROUGE, LOUISIANA 70813

Office of the President  
(225) 771-4680

Fax Number:  
(225) 771-5522

November 30, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached is the response of Southern University and A & M College – Baton Rouge to the finding concerning *Lack of Control over the Claims Loss Listing*.

Please let me know if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Slaughter", is written over the word "Sincerely," and the printed name below.

Ralph Slaughter, Ph.D.  
President  
Southern University System

RS/hac

Enclosure

xc: Mr. Tolor E. White



Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

November 30, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: LACK OF CONTROL OVER THE CLAIMS LOSS LISTING**

Dear Mr. Theriot:

The following response is submitted for the reportable audit finding for Southern University - Baton Rouge Campus pertaining to *"Lack of Control over the Claims Loss Listing."*

Southern University - Baton Rouge Campus concurs with this finding.

The University's Risk Management Office is responsible for reviewing the Office of Risk Management's (ORM) quarterly Claims Loss Listing to ensure accuracy and completeness of the report. Procedures are in place to ensure that the report is reviewed for accuracy and completeness each quarter. However, due to the retirement of the University's Risk Management Director and the restructuring of the Risk Management Office during the fiscal year, the University cannot validate that normal procedures for reviewing and reconciling the report were followed.

**Plan for Corrective Action**

The University's Risk Management Office has strengthened the controls in this area to ensure that the Office of Risk Management's quarterly Claims Loss Listing and the University's claims file are reviewed and reconciled to ensure accuracy and completeness of the Claims Loss Listing. The University will enforce to a greater degree and continue to monitor established procedures over the review of the Claims Loss Listing.

The point of contact for corrective action is Associate Vice Chancellor for Facilities Operations, Tony Moudgil. The Office for Finance and Administration will provide administrative oversight in the implementation of the corrective actions.

You may contact Vice Chancellor Flandus McClinton, Jr. at (225) 771-5021 if you have questions or need further assistance regarding the action to be taken related to this finding.

Sincerely,

A handwritten signature in cursive script, reading "Margaret S. Ambrose", followed by a horizontal line extending to the right.

Margaret S. Ambrose  
Interim Chancellor



**SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM**

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Fax Number:  
(225) 771-5522

November 30, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached are the responses of the following campuses in the Southern University System to the finding concerning *Noncompliance with Movable Property Regulations*:

- ◆ **Southern University Baton Rouge**
- ◆ **Southern University at New Orleans**
- ◆ **Southern University at Shreveport**

Please let me know if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Slaughter".

Ralph Slaughter, Ph.D.  
President  
Southern University System

RS/hac

Enclosures

xc: Mr. Tolor E. White



Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

November 30, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: NONCOMPLIANCE WITH MOVABLE PROPERTY REGULATIONS**

Dear Mr. Theriot:

The following response is submitted for the reportable audit finding for Southern University - Baton Rouge Campus pertaining to *"Noncompliance with Movable Property Regulations."*

Southern University - Baton Rouge Campus concurs in part with this finding.

Southern University – Baton Rouge Campus movable property value at June 30, 2007 totaled \$43,433,591 and includes movable property valuations for Board and System Administration, Baton Rouge Campus, the Law Center and the Agricultural Research and Extension Center.

The University maintained adequate controls over its movable property as prescribed by state law. The amount of unlocated movable property for the four year period ending June 30, 2007 of \$1,222,146 represents 2.81 per cent of the University's total movable property value with an original acquisition cost of \$43,433,591. As required, in part, by Louisiana Administrative Code (LAC) Title 34, Part VII, Section 313, the University made efforts to locate all movable property items for which no explanations were available for their disappearance. Also, as required by Louisiana Revised Statute 39:325, the University conducted an annual inventory of its movable property as of June 30, 2007 and all unlocated property was reported to the Louisiana Property Assistance Agency (LPAA).

The University has progressively improved its controls over unlocated movable property since 2004. The amount of unlocated property has steadily declined each year with the largest decline noted in 2007; from \$433,339 in fiscal year 2004 to \$181,644 in fiscal year 2007, a decline of \$251,695 or 58.08 per cent as reflected in the chart below.

Year	Amount Unlocated	Per Cent Decline
2007	\$181,644	58.08%
2006	291,879	32.64%
2005	315,284	27.27%
2004	433,339	

Due to the lengthy illness and employee turnover of key personnel in the Property Management Office, 43 movable property items valued at \$288,445 were not tagged when received. The University has hired a new Property Director to oversee this effort. All 43 items of equipment have been subsequently tagged. Also, the University's property management policies and procedures have been strengthened to ensure that all property items are tagged as prescribed by state law.

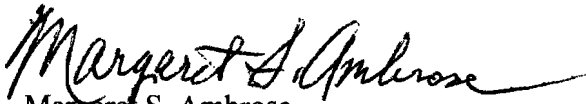
#### **Plan for Corrective Action**

The University's Property Management Office has strengthened its controls over movable property to ensure that all property is properly and timely tagged and accurately reported to LPAA. The University is continuing in its efforts to locate missing property and to prevent future occurrences of missing property items. The Property Management Office is continuing to work with university departments and with the LPAA office to ensure full accountability of all movable property and compliance with state property regulations.

The point of contact for corrective action is Associate Vice Chancellor for Facilities Operations, Tony Moudgil. The Office for Finance and Administration will provide administrative oversight in the implementation of the corrective actions.

You may contact Vice Chancellor Flandus McClinton, Jr. at (225) 771-5021 if you have questions or need further assistance regarding the action to be taken related to this finding.

Sincerely,

  
Margaret S. Ambrose  
Interim Chancellor



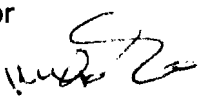
**SOUTHERN UNIVERSITY AT NEW ORLEANS**

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**OFFICE OF THE CHANCELLOR**

**M E M O R A N D U M**

**TO:** Mr. Steve J. Theriot  
Legislative Auditor

**FROM:** Dr. Victor Ukpolo   
Chancellor

**DATE:** November 27, 2007

**RE:** Official Response to Finding as noted by the Legislative Auditor

Below is the official response relating to the 2007 reportable finding as noted by the Legislative Auditor. This submission is applicable to the finding for the New Orleans Campus.

**NON-COMPLIANCE WITH MOVABLE PROPERTY REGULATIONS**

We concur with the finding as noted by the auditor on unlocated movable property items totaling \$46,697.

- The university requires all employees to notify the Property Manager and Campus Police on all stolen or missing equipment.
- The contact persons responsible for corrective action are Mr. John L. Sullivan, Director, Central Stores/Property Manager and Dr. Gerald Williams, Vice-Chancellor for Administration and Finance.

Please contact Dr. Gerald Williams, Vice-Chancellor for Administration and Finance, at 504-286-5117 if you have any questions or need additional information.

pc: Dr. Ralph Slaughter  
Dr. Gerald Williams

*"An Equal Educational Opportunity Institution"*



SOUTHERN UNIVERSITY  
AT SHREVEPORT

OFFICE OF THE CHANCELLOR

November 27, 2007

Mr. Steve J. Theriot, CPA  
Office of Legislative Auditor  
State of Louisiana  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This document represents a response by the Southern University-Shreveport campus for the period ending June 30, 2007 for the reportable audit finding *"Noncompliance with Moveable Property Regulations"*.

Southern University-Shreveport concurs with the finding. The University has taken steps to strengthen its internal control over property and reviewed procedures for conducting the physical inventory. Additionally, the University has placed greater emphasis on ensuring that all property is tagged and reported timely and accountably to LPAA.

The exceptions noted for timely recording property items represented only two (2) purchase orders and were the result of a vendor failing to respond to a request for itemized pricing information. The University has developed new procedures to secure property and has continued its due diligence in trying to locate missing property. The proposed completion date is June 30, 2008.

Mrs. Eddie Boxley, Property Control Coordinator, Mrs. Wanda Lewis, Accounting Director, and Mr. Benjamin Pugh, Vice Chancellor for Finance & Administration are the responsible persons for ensuring that the necessary corrective actions are taken.

Should you have questions or require additional information, I can be reached at (318) 674-3312.

Respectfully submitted,

Ray L. Belton, Ph.D.  
Chancellor

BWP/lhb

Att.

xc: Benjamin Pugh, Vice Chancellor

3050 MARTIN LUTHER KING, JR. DRIVE • SHREVEPORT, LOUISIANA 71107  
PHONE: (318) 674-3312 • FAX: (318) 674-3374  
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**SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM**

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BATON ROUGE, LOUISIANA 70813

Office of the President  
(225) 771-4680

Fax Number:  
(225) 771-5522

November 29, 2007

Mr. Steve J. Theriot  
Legislative Auditor  
Office of the Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Attached is the response of Southern University at New Orleans to the finding concerning Unapproved Bank Accounts.

Please let me know if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Slaughter", is written over a large, loopy oval flourish.

Ralph Slaughter, Ph.D.  
President  
Southern University System

RS/hac

Enclosures

xc: Mr. Tolor E. White




**SOUTHERN UNIVERSITY AT NEW ORLEANS**

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OFFICE OF THE CHANCELLOR

**M E M O R A N D U M**

**TO:** Mr. Steve J. Theriot  
Legislative Auditor

**FROM:** Dr. Victor Ukpolo   
Chancellor

**DATE:** November 26, 2007

**RE:** Official Response to Legislative Auditor Reportable Findings

Below is the official response relating to the 2007 reportable finding as noted by the Legislative Auditor. This submission is applicable to the finding for the New Orleans Campus.

**Unapproved Bank Accounts**

We concur with the auditors' finding that the University did not obtain approval from the Cash Management Review Board before opening its bank accounts.

SUNO's financial institution requested that funds be moved from our existing accounts because they could not collateralize our deposits. SUNO agreed to move the funds temporarily to another financial institution that had the ability to collateralize our deposit.

- The University will submit an application through the System Office for approval and request the application be forwarded to the Cash Management Review Board for approval of the existing accounts. The application will be submitted to the System Office by November 30, 2007

The contact persons responsible for the corrective action are Mr. Woodie White, Comptroller and Dr. Gerald Williams, Vice-Chancellor for Administration and Finance.

Please contact Dr. Gerald Williams, Vice-Chancellor for Administration and Finance, at 504-286-5117 if you have any questions or need additional information.

pc: Dr. Ralph Slaughter  
Dr. Gerald Williams



Office of the Chancellor  
P. O. Box 9374  
[225] 771-5020  
FAX [225] 771-2018

March 5, 2008

Mr. Steve J. Theriot  
Legislative Auditor  
Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: THEFT OF UNIVERSITY PROPERTY**

Dear Mr. Theriot:

The following response is submitted for the reportable audit finding for Southern University - Baton Rouge Campus pertaining to *"Theft of University Property."*

Southern University - Baton Rouge Campus concurs with this finding.

Southern University - Baton Rouge Campus acknowledges that its own internal control processes detected the theft of University property and reported it to the appropriate officials within the Southern University System (SUS). Upon completion of its own internal investigation, the theft was reported to the District Attorney's Office for prosecution and restitution.

**Plan for Corrective Action**

Southern University at Baton Rouge will continue to strengthen existing controls to minimize the risk of theft of University property. The University will follow up with the District Attorney's Office to pursue prosecution and seek restitution.

The point of contact for corrective action is Mr. Flandus McClinton, Jr. Vice Chancellor for Finance and Administration. The Chancellor's Office will provide administrative oversight in the implementation of the corrective actions.

You may contact Vice Chancellor Flandus McClinton, Jr. at (225) 771-5021, if you have questions or need further assistance regarding the action to be taken related to this finding.

Sincerely,

*Margaret S. Ambrose/E.D.*

Margaret S. Ambrose  
Interim Chancellor