

SOUTHERN UNIVERSITY LAW CENTER



INVESTIGATIVE AUDIT
ISSUED AUGUST 21, 2013

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 21, 2013

**MR. FREDDIE PITCHER, JR., CHANCELLOR,
SOUTHERN UNIVERSITY LAW CENTER**
Baton Rouge, Louisiana

We have audited certain transactions of the Southern University Law Center. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the Nineteenth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

SULC 2013

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EXECUTIVE SUMMARY

Southern University Law Center (Law Center) records indicate that from January 2010 through January 2013, collections for fees, dues, merchandise sales, and donations totaling \$282,537 were not deposited in the bank. This amount included \$274,306 in cash, checks, and money orders found inside the office of Earline Crumpton, Law Center budget officer. The remaining collections totaling \$8,231 were not located in Ms. Crumpton's office nor deposited. The Law Center's inadequate internal controls over collections allowed funds to go undeposited without detection. By failing to deposit all funds collected, Ms. Crumpton may have violated state law.

BACKGROUND AND METHODOLOGY

The Southern University System is a component unit of the State of Louisiana. The Southern University Law Center (Law Center) is a campus within the Southern University System. The Law Center offers a Juris Doctorate degree (J.D.) through full-time and part-time programs. The Law Center has approximately 33 full-time and adjunct faculty members and an enrollment of approximately 710 full-time and part-time students.

In January 2013, Law Center management accessed the office of Earline Crumpton, budget officer, and discovered undeposited checks payable to the Law Center. An inventory of the undeposited checks payable to the Law Center indicated that these funds had been received/collected over a period of several years (as far back as March 2009). Ms. Crumpton, who was on leave when the checks were discovered in her office, subsequently resigned from her position effective June 30, 2013.

The Louisiana Legislative Auditor initiated an investigative audit to determine if additional funds had been received and not deposited by the Law Center.

The procedures performed during this audit included:

- (1) interviewing employees of the Law Center;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the Law Center;
- (4) gathering documents from external parties; and
- (5) reviewing applicable state laws and regulations.

FINDING AND RECOMMENDATIONS

Law Center Collections Not Deposited

Southern University Law Center (Law Center) records indicate that from January 2010 through January 2013, collections for fees, dues, merchandise sales, and donations totaling \$282,537 were not deposited in the bank. This amount included \$274,306 in cash, checks, and money orders found inside the office of Earline Crumpton, Law Center budget officer. The remaining collections totaling \$8,231 were not located in Ms. Crumpton's office nor deposited. The Law Center's inadequate internal controls over collections allowed funds to go undeposited without detection. By failing to deposit all funds collected, Ms. Crumpton may have violated state law.¹

The Law Center collects payments for student fees, organization dues, merchandise sales, Continuing Legal Education, and donations. Amounts collected are submitted to the Southern University Bursar's Office (Bursar) for deposit, except for donations which are submitted to the Southern University Foundation (Foundation) for deposit. Law Center employees and students who receive payments do not issue receipts. Amounts received are recorded on a transmittal form which summarizes the type of funds collected, total amount of funds collected, and indicates the person who collected the funds. The transmittal forms and the funds were generally remitted to Ms. Crumpton to be coded to the appropriate ledger account. Ms. Crumpton was then responsible for remitting the funds and forms to either the Bursar or the Foundation. In January 2013, while Ms. Crumpton was on leave, Mr. Terry Hall, Law Center associate vice chancellor for financial affairs, accessed her (Crumpton's) office and found undeposited collections which dated back several years. Ms. Crumpton subsequently resigned from her position on February 7, 2013, effective June 30, 2013.

Collections Not Deposited

Law Center records indicate that over the three-year period from January 2010 through January 2013, collections totaling \$282,537 were not deposited. Since receipts were not available, we obtained available transmittal forms and other documentation of amounts collected and/or received from Law Center staff^A and compared them to amounts remitted to the Bursar and the Foundation for deposit. Our examination indicated that 97 percent of the funds not deposited (\$274,306) were checks and cash found in Ms. Crumpton's office. Consequently, it appears that Ms. Crumpton received these funds (either directly or from other employees and students) and failed to remit them to the Bursar or the Foundation for deposit. The remaining three percent of funds not deposited (\$8,231) and not found in Ms. Crumpton's office, consisted of cash collections totaling \$415, checks totaling \$5,761, and \$2,055 in unprocessed credit card payments. Although these funds were not found in Ms. Crumpton's office, Law Center staff members indicated that these funds would have been remitted to Ms. Crumpton for recordation and deposit.

^A Law Center staff maintained their own copies of the transmittal forms for regular collections. Some staff also maintained e-mails and written correspondence documenting receipt of other items such as donations.

The Law Center's lack of adequate internal controls over collections allowed funds to go undeposited for a period of several years without detection. Southern University policy requires all funds received by the Law Center to be properly accounted for, receipted, and deposited into the designated account within 24 hours after collection or receipt. However, the Law Center had no controls in place to ensure compliance with these policies. Our audit revealed the following control deficiencies:

- **Receipts were not issued by the Law Center to document funds collected or received.** The only documentation supporting the receipt of funds was transmittal forms. These forms appear to have been completed once the funds were to be remitted to Ms. Crumpton for recording and deposit, not upon receipt of the funds.
- **Funds were not deposited into the designated bank account within 24 hours of receipt.** A review of the transmittal forms for amounts deposited indicated that funds were held for several days or weeks before being remitted to Ms. Crumpton for recording and submission to the Bursar and the Foundation for deposit. Furthermore, as mentioned above, funds were regularly remitted to Ms. Crumpton and held in her office for months to years without being deposited.
- **Funds received by the Law Center were not reconciled/agreed to the funds deposited with the Bursar and the Foundation.** The Law Center had no specific policies and procedures in place to ensure that amounts received were deposited. Although transmittal forms provided some documentation of amounts received by the Law Center, they do not appear to have been used for any other purpose. As such, there was no review or reconciliation of amounts received by the Law Center to the amounts deposited with the Bursar or the Foundation.

Mr. Hall stated that he began to receive calls in 2011 from donors whose checks to the Law Center had not cleared their bank accounts. Mr. Hall stated that he subsequently assumed Ms. Crumpton's duties of submitting donations to the Foundation. Records indicate that Ms. Crumpton continued to submit Law Center collections to the Bursar until August 2012 when Mr. Hall assumed those duties as well. On February 7, 2013, while on leave, Ms. Crumpton submitted her resignation effective June 30, 2013. Ms. Crumpton was allowed to remain on paid leave from the Law Center until the effective date of her resignation (June 30, 2013). We spoke briefly by telephone to Ms. Crumpton on a number of occasions attempting to schedule an interview with her to discuss this matter; however, she did not respond to our last request for an interview.

Because the Law Center lacked adequate internal controls to ensure that all funds received were either remitted to the Bursar or the Foundation for deposit, collections totaling \$282,537 went undeposited without detection by management. Of the collections found inside Ms. Crumpton's office (\$274,306), Law Center and Southern University Internal Audit staff deposited checks totaling \$158,534. Law Center staff are continuing to research the remaining checks and money orders to determine if they can be replaced and deposited.

By failing to deposit all funds collected and depriving the Law Center of revenues necessary for operations, Ms. Crumpton may have violated state law.¹

Recommendations

We recommend that management of the Law Center comply with Southern University policies and adopt and implement additional procedures as necessary to ensure that all funds collected or received are deposited in the designated account. These procedures should ensure:

- (1) all funds collected/received by the Law Center are evidenced by the issuance of a receipt;
- (2) incoming checks are recorded and immediately restrictively endorsed by the employee who receives them;
- (3) one employee is responsible for checking mail and receiving, logging, and stamping all checks received;
- (4) checks, cash, and money orders are kept in secure locations and maintained under lock while at the Law Center;
- (5) checks, cash, and money orders are deposited within 24 hours of receipt;
- (6) electronic payments are recorded and processed immediately;
- (7) employees are trained on the proper handling of collections and incoming mail;
- (8) the appropriate employee(s) review and compare the daily total deposits to the total receipts issued on a daily basis and immediately investigate and resolve any differences; and
- (9) employee duties of receiving, depositing, and reconciling funds are adequately segregated.

LEGAL PROVISION

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

APPENDIX A

Management's Response



SOUTHERN UNIVERSITY LAW CENTER

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August 8, 2013

Daryl Purpera
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State of Louisiana
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1600 North Third Street
P.O. Box 94397
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Response to Investigative Audit Report

Dear Mr. Purpera:

The Southern University Law Center (Law Center) has deposited and restored funds totaling \$181,579. Additionally, there are Money Orders with depreciable face values which realizable value will be determined by the Bank. Also, we are attempting restoration of other funds from contributors on a case by case basis.

The Law Center has initiated the procedures for the receipt and deposit of cash and for the distribution of check disbursements, which are listed herein and are currently in use. Those procedures are as follows:

SU Law Center Cash Receipts Procedures

All monies (checks and cash) will be delivered to Finance accordingly (Administrative Assistant or another designee in their absence will receive all monies):

1. Monies you have received must be delivered to finance before the end of the Business Day.
2. If this proves impractical, monies must be delivered by the following morning.
3. Your monies must be transmitted in an organized format and dated.
 - a. You may use your own department transmittal form. However,
 - b. If your monies consist of cash or cash and checks, you must prepare and submit the attached *Cash Transmittal Report*.
 - c. **Two (2) copies** of all checks must be submitted with your transmittal.
 - i. Check copies will be a permanent record. Make a good complete legible copy of each check.
 - ii. Please make complete legible copies of checks in a *Horizontal Format* instead of vertical.

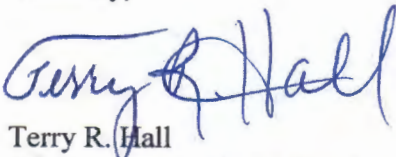
"An Equal Educational Opportunity Institution"

4. All transmittals must indicate the Department, Preparer, and Purpose of the monies transmitted, as well as the date and the amount of monies transmitted.
5. All transmittals of monies will be verified and recorded in finance. Secondly, transmittals must be signed by the preparer and the receiver after verification of monies. Your signatures indicate that you are in agreement with the content and amount of monies that have been transmitted and received. Checks and cash received will be transmitted to finance on day of receipt or by the following morning.
6. Deposits will be prepared for the day's receipts and transmitted to the SU Bursar Office and or The SUS Foundation, whichever is applicable, by the end of the day or the following morning.
7. Checks will be centrally received and recorded by Administrative Assistant, who will prepare the daily cash receipts report.
8. A copy of the daily cash receipts report and the cash receipts will be given to the Business Affairs Manager who will prepare the deposit. The accounting manager will also receive a copy of the daily cash receipts report.
9. The deposit will be delivered to the Bursar and or Foundation by Coordinator of Security and Inventory. Deposit receipts will be obtained and returned to the Business Affairs Manager and Accounting Manager who will reconcile them to the daily cash report.
10. A monthly cash distribution report will be prepared by the Accounting Manager

SU Law Center Vendor Check Procedures

1. After checks are processed, the check register report will be given to the Administrative Assistant who mail and distribute checks.
2. Checks will be picked up by Coordinator of Security and Inventory from the SUBR Comptroller Office who processes checks.
3. Checks will be delivered to the Administrative Assistant who will reconcile them to the check register and obtains signature, signifying they have been received. They will be subsequently mail and distributed.
4. The accounting manager will perform weekly reviews with the administrative assistant for any checks which have not been mailed or distributed.

Sincerely,



Terry R. Hall
Associate Vice Chancellor for
Financial Affairs

CC: Freddie Pitcher, Jr. (Judge Ret.) Chancellor