

UNIVERSITY OF NEW ORLEANS
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 24, 2014

**LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 24, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Dr. Peter J. Fos, President
University of New Orleans,
University of Louisiana System

Dear Senator Alario, Representative Kleckley, and Dr. Fos:

This report includes the results of the procedures we performed at the University of New Orleans (UNO) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of our audit of the University of Louisiana System's financial statements and the Single Audit of the State of Louisiana for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of UNO for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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UNO 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Audit Control # 80140115

University of New Orleans

December 2014

Introduction

As a part of our audit of the University of Louisiana System (System) financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014, we performed procedures at the University of New Orleans (UNO) to provide assurances on financial information that is significant to the System's financial statements; to evaluate the effectiveness of UNO's internal control over financial reporting and compliance; and to determine whether UNO complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

UNO, which includes three campuses in the New Orleans area, is part of the System and reported an enrollment of more than 9,300 students for the fall 2013 semester. UNO's mission is to serve national and international students and enhance the quality of life in New Orleans, the state, the nation, and the world, by participating in a broad array of research, service learning, cultural, and academic activities.

Results of Our Procedures

Follow-Up on Prior-Year Finding

Our auditors reviewed the status of the prior-year finding reported in a management letter dated December 11, 2013. We determined that management has not fully resolved the prior-year finding related to an inaccurate annual fiscal report, which is repeated in this management letter.

Current-Year Findings

Inaccurate Annual Fiscal Report

For the second consecutive year, UNO did not compile an accurate Annual Fiscal Report (AFR). While improvements were made in the AFR compilation process since the prior year, the university's current-year AFR contained several significant errors that had to be corrected with audit adjustments.

Significant errors identified by auditors included interagency payments that were not properly eliminated, as well as incorrect note disclosures and schedules. Examples include \$2.3 million in capital lease payments that were not eliminated, the omission of \$19.8 million from the long-term debt note, a \$7.2 million misclassification of net position in the note disclosures, and a \$3.8 million misclassification on the statement of cash flows. In addition, numerous minor adjustments were needed to correct a misclassification of net position, agree notes and schedules to statements, and to correct other compilation errors.

Good internal control requires management to perform a thorough review of its AFR prior to submitting it to the System for inclusion in the System's financial statements; however, management did not perform a thorough review of the university's AFR and related support. In addition, management has not adequately trained staff on the System's AFR template instructions or note content requirements. The resulting errors increased the time and effort necessary for the auditors to complete their work. The inadequate review also increases the risk that additional errors may remain undetected.

Management should enhance its written AFR review process to include instructions for preparing each note and statement, a reasonableness comparison between the current- and prior-year AFR, and a final competent review of the AFR before submitting the AFR to the System. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

Inadequate Controls over Parking Tickets and Related Fines

UNO did not have adequate controls over parking tickets issued by campus police, increasing the risk of errors or fraud in an operational area that reported approximately \$150,000 in collections during fiscal year 2014. During our review of operations between July 1, 2013 and December 31, 2013, we noted the following:

- Campus police records and accounting records were not reconciled for accuracy or completeness.
- Eleven of 18 voided tickets did not include the reason for granting an appeal.
- One employee has the sole authority to approve or deny ticket appeals with no independent review of processed appeals.

Management has not placed sufficient emphasis on the appeals process and ensuring ticket records are complete and accurate. Good controls should include a reconciliation of police and accounting records, as well as adequate documentation to support ticket appeals.

Management should immediately begin reconciling issued parking tickets to subsequent collections or official disposition, ensure that appeal decisions are adequately documented, and develop a formal written policy for processing appeals with an independent review of processed appeals. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 2).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2014, we considered UNO's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Statement of Net Position

Assets - Cash and cash equivalents, investments, receivables, due from State Treasury, capital assets

Liabilities - Accounts payable and accruals, unearned revenue, bonds payable

Net Position - Net investment in capital assets, restricted-nonexpendable, restricted-expendable, and unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student tuition and fees, grants and contracts, auxiliary revenues, state appropriations, federal nonoperating revenues

Expenses - Education, general, and auxiliary enterprise expenses

Our audit included tests of UNO's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we reported a finding on the inaccurate AFR. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

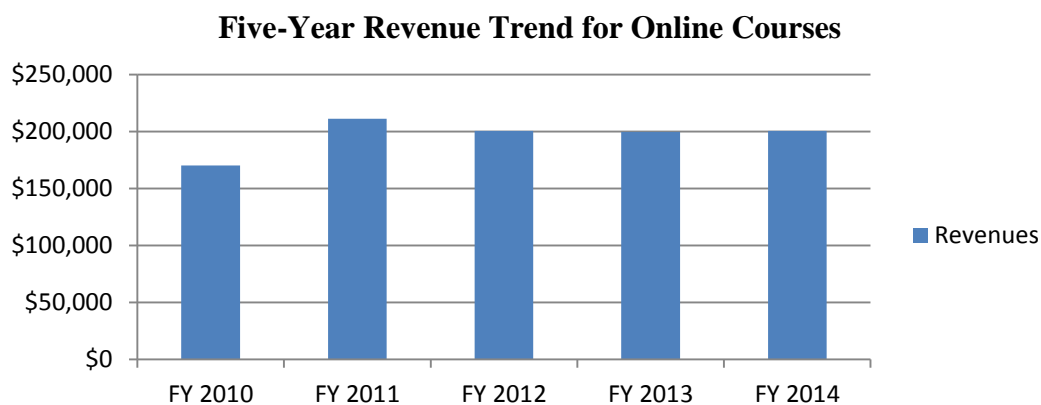
As a part of the Single Audit for the year ended June 30, 2014, we performed procedures on UNO's Schedule of Disclosures for Federally-Assisted Loans (Schedule 8-2), as required by Office of Management and Budget Circular A-133. We also performed a walkthrough of controls over the Student Financial Assistance Cluster of programs.

Based on the results of these Single Audit procedures, we did not report any internal control findings, and the Schedule 8-2, as adjusted, is materially correct.

Results of Other Procedures

Online Programs and Courses

UNO currently offers several online degree programs and courses. We determined that reported revenues from online courses have remained fairly consistent since implementation in fiscal year 2010.



Source: UNO General Ledger

Emergency Notifications

We reviewed UNO's policies and procedures related to emergency notifications to students. We determined that, in addition to several other communication methods, UNO uses E2Campus for emergency system notification of time-sensitive messages to the mobile phones and/or e-mail of students, staff, and faculty. Subscribers to the system get notified immediately of situations including inclement weather or any other emergencies and any related school closings.

Parking Tickets

We performed procedures to determine if UNO has controls in place to ensure that parking tickets issued are recorded properly and voids are handled appropriately. Based on the results of these procedures, we reported a finding related to the controls over parking tickets and related fines.

Outside Employment Disclosures

We reviewed UNO's policies and procedures related to monitoring outside employment activities for UNO employees. We determined that UNO's policy includes an annual e-mail reminder to employees to certify compliance with UNO policies. More than 1,200 employees were sent an annual reminder in November 2013. By February 2014, the University had received approximately 1,050 responses (88%).

Review of TRIO Cluster

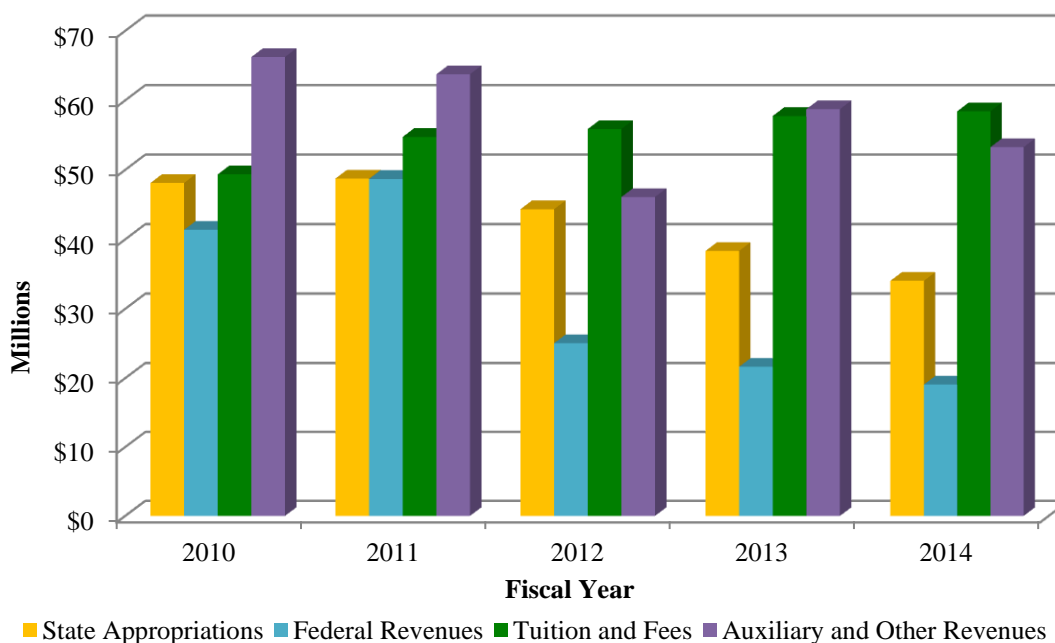
The programs administered by UNO in the TRIO Cluster include Upward Bound, Talent Search, and Student Support Services. We performed procedures to obtain an understanding of these programs through inquiry, observation and a review of supporting documentation for certain program expenditures. We did not report any internal control findings as a result of these procedures.

Trend Analysis

We compared the most current- and prior-year financial activity using UNO's annual fiscal reports and/or system-generated reports and obtained explanations from UNO management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five years.

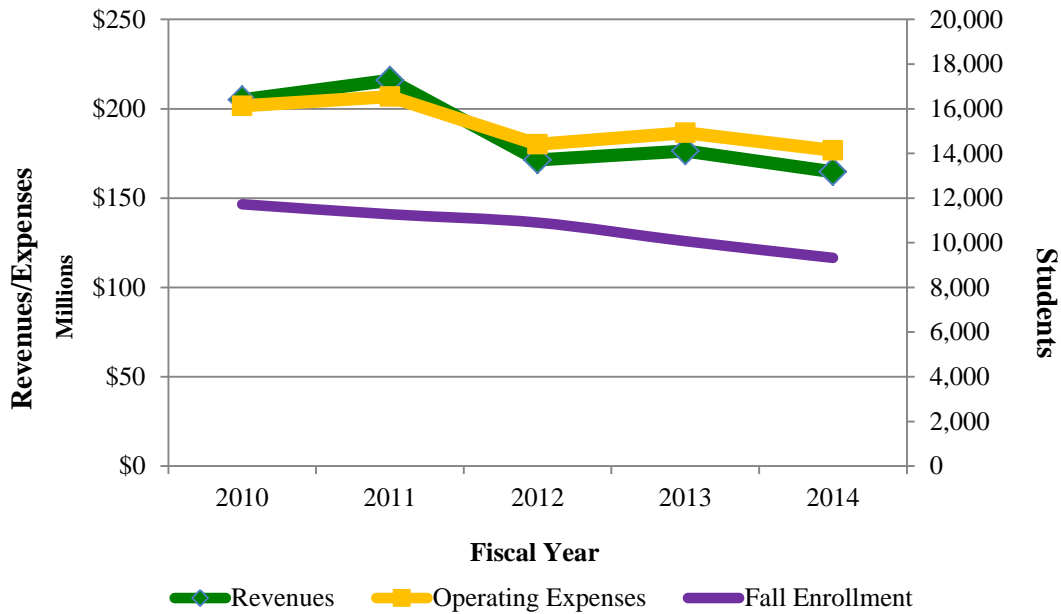
In analyzing financial trends of UNO over the past five years, both expenses and revenues have decreased, with expenses outpacing revenues for the last three years. The decline in federal revenues and state appropriations has been offset partially by an increase in tuition and fees. Since 2010, net tuition and fees revenues have increased by 18% mainly because of increases in tuition rates; however, the increases in tuition rates are offset by a 20% decline in enrollment at UNO.

Exhibit 1
Five-Year Revenue Trend



Source: Fiscal Year 2010-2014 Annual Fiscal Reports, as adjusted

**Exhibit 2
Fall Enrollment Trend Analysis**



Source: Fiscal Year 2010-2014 Annual Fiscal Reports, as adjusted, and Board of Regents website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of UNO. The nature of the recommendations, their implementation costs, and their potential impact on the operations of UNO should be considered in reaching decisions on courses of action.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: MANAGEMENT'S RESPONSES



THE UNIVERSITY of
NEW ORLEANS
OFFICE OF THE PRESIDENT

December 1, 2014

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

RE: Inaccurate Annual Financial Report (AFR)

The University of New Orleans acknowledges that misstatements occurred in the preparation of the fiscal year 2014 Annual Fiscal Report (AFR) and concurs with LLA's recommendation to strengthen existing internal controls over the financial reporting process. Immediate corrective action will be implemented to address the finding titled "Inaccurate Annual Fiscal Report." While improvements were made in the AFR compilation process since the prior year, significant errors occurred with the university's current year AFR resulting in audit adjustments.

Individuals working on the AFR who are responsible for preparing the notes and schedules will follow all directives provided by the University of Louisiana System Office for complete and accurate reporting.

With the recent departure of our Manager of Financial Reporting and General Accounting, steps will be taken to ensure that the replacement possesses the competencies to accurately prepare future AFRs. Review staff will participate in training sessions that will include exercises that replicate the preparation of specific notes and schedules. The focus of this training will be on those notes and schedules that have previously resulted in audit adjustments. With our current limited staff, UNO will seek to employ temporary staffing to maximize the review efforts prior to our AFR submission.

Since most of our issues are still related to the blending of the UNO R&T Foundation's statements, a step-by-step manual for our UNO's AFR will be prepared so that the thorough review will analyze each note and schedule from start to finish with regard to this topic.

Mr. Michael Dauenhauer, Assistant Vice President for Accounting and Procurement, is responsible for the oversight of the corrective action.

If you have any questions, please call me directly or my primary point of contact, Dr. Gregg Lassen, Vice President for Business Affairs, at 504-280-6209.

Sincerely,

Peter J. Fos
President

2000 Administration Annex | 2000 Lakeshore Drive | New Orleans, Louisiana 70148
phone 504.280.6201 | fax 504.280.6872



THE UNIVERSITY of
NEW ORLEANS
OFFICE OF THE PRESIDENT

December 1, 2014

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

RE: Inadequate Controls over Parking Tickets and Related Fines

The University of New Orleans concurs with the finding for the fiscal year ended June 30, 2014 related to the operations over parking tickets and our appeal process. The university will take the following measures to address this matter:

- Campus Police Department will develop a reconciliation process to manage their ticket stock with those tickets issued and/or voided for each month. Chief Harrington will be assigned this project. Reconciliations will be submitted to the Office of Accounting Services for review. Accounting Services will reconcile the Campus Police data to the tickets uploaded in PeopleSoft. Michael Dauenhauer will be responsible for this segment of the process. Since this finding UNO has implemented an electronic process for issuing tickets which improves the accuracy and timeliness of data entry.
- Student appeals are solely administered by the Office of Student Accountability, Advocacy and Disability Services. A second level of review and approval will be provided by the Vice President for Student Affairs and Enrollment Management to eliminate the sole authorization concern. Modifications will be made to our written policy for processing appeals to include this independent review of processed appeals. Dr. Brett Kemker will be responsible for this implementation.
- University policy will require adequate backup for all appeals.

Anticipated implementation date will be February 1, 2015.

If you have any questions, please call me directly or my primary point of contact, Dr. Gregg Lassen, Vice President for Business Affairs, at 504-280-6209.

Sincerely,

Peter J. Fos
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of New Orleans (UNO) for the period from July 1, 2013 through June 30, 2014, to provide assurances on financial information significant to the University of Louisiana System (System) and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014.

- We evaluated UNO's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to UNO.
- Based on the documentation of UNO's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on UNO's account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the Schedule of Disclosures for Federally-Assisted Loans (Schedule 8-2) for the year ended June 30, 2014, to support the 2014 Single Audit.
- We compared the most current- and prior-year financial activity using UNO's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from UNO management for significant variances.

The purpose of this report is solely to describe the scope of our work at UNO and not to provide an opinion on the effectiveness of UNO's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.

We did not audit or review UNO's Annual Fiscal Report and, accordingly, we do not express an opinion on that report. UNO's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.