

UNIVERSITY OF NEW ORLEANS
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
JUNE 14, 2021

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

University of New Orleans



June 2021

Audit Control # 80200087

Introduction

As a part of our audit of the University of Louisiana System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2020, we performed procedures at the University of New Orleans (UNO) to provide assurances on financial information that was significant to the System’s financial statements; evaluate the effectiveness of UNO’s internal controls over financial reporting and compliance; and determine whether UNO complied with applicable laws and regulations.

Results of Our Procedures

Current-year Findings

Overpayments to Employees

The University of New Orleans (UNO) overpaid employees as a result of the execution of a change in payment structure for its non-academic, unclassified employees in January 2019. As a part of the transition to a new software system, UNO had to transition unclassified employees from a semi-monthly (twice a month) payroll with 24 pay periods in a year to a bi-weekly (every two weeks) payroll with 26 pay periods in a year.

Unclassified employees received their last paycheck under the old payment structure on December 31, 2018, for the period December 16 through December 31, 2018. Although already compensated for time worked through December 31, 2018, UNO issued full bi-weekly paychecks under the new payment structure on January 11, 2019, for the period December 22, 2018, through January 4, 2019, which appeared to result in an overpayment of all employees in the affected pay group. UNO has represented that there were 672 non-academic, unclassified employees in the affected pay group.

UNO management’s position was that no overpayments occurred because under the new payment structure the affected pay group was compensated on a salary basis without a one-week waiting period (arrearage). For example, while the pay records for employees in the affected pay group indicated a pay period of December 22, 2018, through January 4, 2019, with a check date of January 11, 2019, these employees were actually paid for January 1, 2019, through January 11, 2019, with a check date of January 11, 2019.

Since the information in the system did not agree to UNO management's payment structure for the affected pay group, we reviewed payments to selected employees in the pay group to identify any possible overpayments caused by the conflicting pay periods.

Our test identified that the 23 employees reviewed who were employed prior to the transition to the new bi-weekly payment method and terminated employment subsequent to that transition had received overpayments totaling approximately \$24,440. These overpayments occurred because UNO personnel used the system payment structure that included arrearage instead of UNO management's new payment structure without arrearage. As projected to the population of employees meeting our criteria in a report of terminations provided by UNO, 167 employees appear to have been overpaid between January 2019 and June 30, 2020, approximately \$172,800 as a result of the improper execution of this change in payment structure. Additional overpayments could also be made as other employees in the affected pay group terminate employment with UNO.

Good accounting controls and business practices would require sufficient planning, execution, and review to ensure that all employees are accurately paid the correct salary when implementing a new payment structure.

UNO should review pay for all employees who were employed prior to the transition to the bi-weekly payment structure and also terminated employment subsequent to that transition to determine the amount of overpayments and related effects of those payments, such as retirement contributions; consult with legal counsel to determine the appropriate actions to take regarding any overpayments; and implement a plan to ensure overpayments are not made to additional employees in this pay group upon subsequent termination of employment with UNO. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 1).

Incorrect Reporting of Loan Activity in the Schedule of Expenditures of Federal Awards

UNO inadvertently excluded Federal Direct Student Loans (CFDA 84.268), totaling \$27,506,778, from the Schedule of Expenditures of Federal Awards (SEFA) information for the fiscal year ended June 30, 2020. Failure to properly compile and review the SEFA information before submitting it to the Office of Statewide Reporting and Accounting Policy (OSRAP) for inclusion in the State's Single Audit report increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 510(b) requires the auditee to prepare the SEFA for the period covered by the auditee's financial statements. Good internal controls over financial reporting should include adequate procedures to prepare, review, and transmit accurate and complete financial information for OSRAP to compile the state's SEFA. UNO management did not perform an adequate review of the SEFA information before it was submitted to OSRAP.

Management should ensure that proper controls over the financial reporting process have been designed and implemented effectively. In addition, management should perform a thorough review of the SEFA information to identify and correct errors before submitting the SEFA to

OSRAP. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 2).

Noncompliance with Gramm-Leach-Bliley Act – Student Information Security Requirements

UNO did not have a documented risk assessment as required by the Gramm-Leach-Bliley Act and UNO's Program Participation Agreement with the U.S. Department of Education for the federal Student Financial Assistance programs.

The Gramm-Leach-Bliley Act requires a documented risk assessment identifying the related safeguards to the identified risks for the following areas:

- Employee training and management;
- Information systems including network and software design, as well as information processing, storage, transmission and disposal; and
- Detecting, preventing and responding to attacks, intrusions, or other systems failures.

Although UNO has certain information technology policies and safeguards in place, it did not formally document its risk assessment process and the related safeguards to address those risks. As a result, UNO cannot evidence compliance with federal regulations that require the consideration of risk for unauthorized disclosure, misuse, alteration, destruction or other compromise of student information. This occurred because UNO personnel were not aware of this requirement.

Management should ensure a formal documented risk assessment is prepared identifying risks for relevant areas of operation, and ensure safeguards are in place to control the risks identified in regards to student information. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 3).

Noncompliance with Borrower Data Reconciliation Requirements

UNO did not perform monthly reconciliations of the School Account Statement (SAS) data files to the institution's financial records, as required by federal regulations. Each month, the U.S. Department of Education's Common Origination and Disbursement (COD) system provides the institution the SAS data file, which should reconcile to the institution's financial records to ensure the institution has transmitted accurate and complete data to the COD system for all Federal Direct Student Loan borrowers in accordance with federal requirements. Failure to perform the monthly reconciliations could result in undetected discrepancies between the institution's financial records and data in the COD system.

34 CFR 685.300(b)(5) requires that schools must, on a monthly basis, reconcile institutional records with Direct Loan funds received and Direct Loan disbursement records submitted to and

accepted by the U.S. Department of Education. UNO had not established formal procedures and did not have adequate supervisory review to ensure the monthly reconciliations of the SAS data files were being performed.

Management should establish written procedures for completing the monthly reconciliations and should provide supervisory oversight to ensure that the reconciliations are being performed in accordance with federal requirements. Management partially concurred with the finding and provided a plan of corrective action (see Appendix A, page 4).

Failure to Certify and Approve Time and Attendance Records

UNO employees did not follow established payroll policies and procedures for the certification and approval of time and attendance records. Failure to follow established payroll policies and procedures increases the risk that payroll errors and/or fraud could occur and not be detected in a timely manner.

A test of time and attendance records for 16 unclassified and university faculty employees covering the period of July 1, 2019, through June 30, 2020, disclosed the following:

- Four (31%) of the 13 employees required to certify their time did not respond to the electronic certification form for the time period reviewed.
- Supervisors for three (23%) of the 13 employees required to certify their time did not respond to the electronic certification form for the time period reviewed, to certify the accuracy of the time charged by all employees under his/her supervision.

When providing support for the test of time and attendance records, UNO provided four employee certification reports covering seven months of fiscal year 2020 and five supervisor certification reports covering eight months of fiscal year 2020. Our review of these reports disclosed the following:

- Employees did not respond to the electronic certification form for 655 (17%) of the 3,801 total responses due for those seven months.
- Supervisors did not respond to the electronic certification form for 113 (14%) of the 818 total responses due for those eight months.

UNO's payroll policies and procedures require unclassified and university faculty employees to respond monthly to an electronic certification form to certify that all leave taken during the payroll period has been reported and that the leave time, together with hours worked plus paid holidays, equals the employee's required number of hours for the payroll period. The payroll policies and procedures also require the supervisors of these employees to respond to an electronic certification form that all of the employees under his/her supervision have reported all leave taken and have worked the required hours for the payroll period. Good internal controls over payroll should include adequate procedures for certification and approval of time and attendance records prior to the disbursement of payroll. UNO management did not ensure that employees followed established payroll policies and procedures for certifying and approving time and attendance

records and did not establish a policy to ensure that time and attendance records are certified and approved prior to the disbursement of payroll.

UNO management should emphasize compliance with established payroll policies and procedures through employee training, guidance, and oversight. In addition, management should revise the existing policy and require the certification and approval of time and attendance records prior to payroll being disbursed. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 5).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2020, 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, Due from State Treasury, and Capital Assets

Liabilities - Bonds Payable

Net Position - Net Investment in Capital Assets, Restricted-Expendable, Restricted-Nonexpendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Student Tuition and Fees net of Scholarship Allowances, Federal Grants and Contracts, State and Local Grants and Contracts, Nongovernmental Grants and Contracts, Auxiliary Revenues, State Appropriations, and Federal Nonoperating Revenues

Expenses - Educational and General, and Auxiliary Enterprise

Based on the results of these procedures on the financial statements, we reported a finding related to the Failure to Certify and Approve Time and Attendance Records, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, were materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2020, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on UNO's major federal program, Student Financial Assistance Cluster.

Those tests included evaluating the effectiveness of UNO's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether UNO complied with applicable program requirements. In addition, we performed procedures on

information submitted by UNO to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA), as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Incorrect Reporting of Loan Activity in the Schedule of Expenditures of Federal Awards, Noncompliance with Gramm-Leach-Bliley Act – Student Information Security Requirements, and Noncompliance with Borrower Data Reconciliation Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2020. In addition, UNO's information submitted for preparation of the state's SEFA, as adjusted, is materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed certain procedures related to UNO's change in payment structure for its non-academic, unclassified employees.

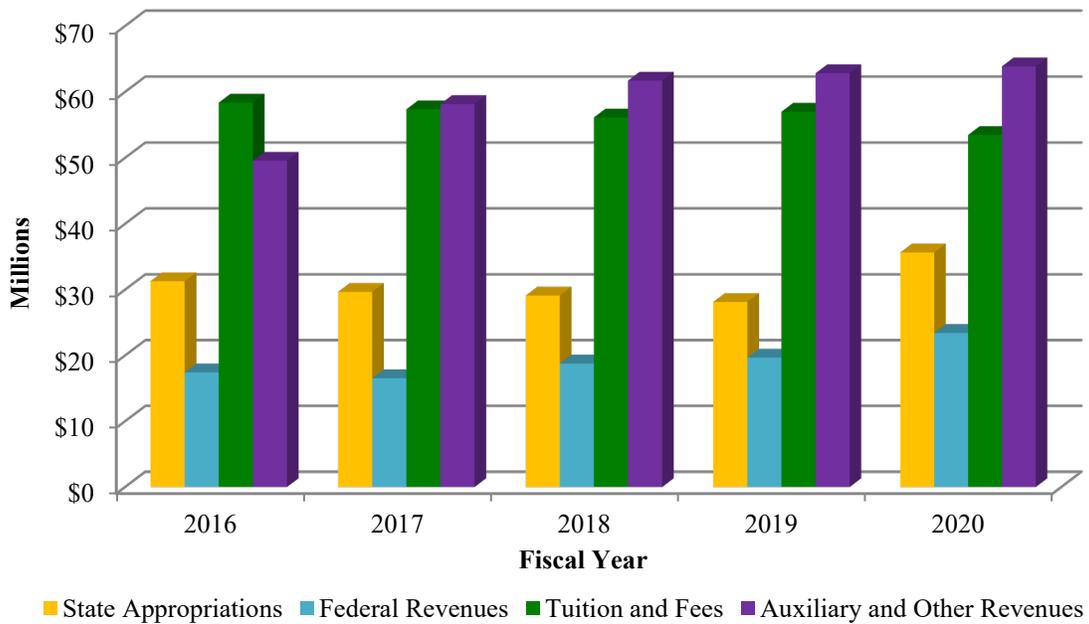
Based on the results of these procedures, we reported a finding on Overpayments to Employees, as described previously.

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's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

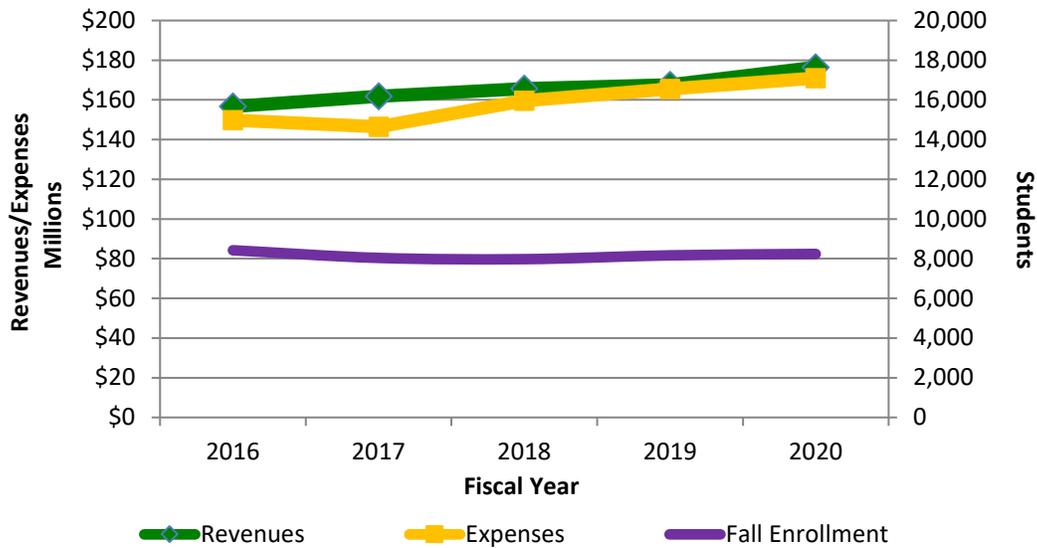
In analyzing financial trends of UNO over the past five fiscal years, revenues and expenses increased by 12.6% and 14.12%, respectively. Total expenses increased from the prior year by 3.3%, and total revenues increased by 5.2%. The majority of the increase in revenues relates to increases in state appropriations and federal non-operating revenues, which increased by approximately \$7.5 million and \$3.7 million, respectively. These increases are mainly due to the receipt of supplemental appropriations in Act 255 of the 2020 Regular Session and additional grant funds, both as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Exhibit 1: Five-Year Revenue Trend



Source: Fiscal Year 2016-2020 Annual Fiscal Reports, as adjusted

Exhibit 2: Fiscal/Enrollment Trends



Source: Fiscal Year 2016-2020 Annual Fiscal Reports, as adjusted

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. The findings related to UNO’s compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a stylized flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

DF:CRV:BQD:EFS:aa

UNO 2020

APPENDIX A: MANAGEMENT'S RESPONSES



THE UNIVERSITY *of*
NEW ORLEANS
OFFICE OF THE PRESIDENT

May 26, 2021

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

RE: Overpayment of Employees

Dear Mr. Waguespack,

The University of New Orleans concurs with the finding for overpayment of terminated employees resulting from the implementation of a new software system, Workday; and the transitioning from a semi-monthly to bi-weekly payment structure for non-academic, unclassified employees in January 2019.

The findings result from the UNO payroll personnel using the new system structure that included arrearage instead of UNO's old payment structure without arrearage, and a manual calculation on a per day salary rate for terminated employees from January 1, 2019 to date of termination instead of the old system calculation based on annual salary prorated to date of termination.

The University will correct this finding by calculating the final paycheck using a manual calculation of employees' salary per day rate instead of a system generated final payment for those future terminated employees who were employed at the time of UNO's transition to the new software.

David Armstrong, Manager of Payroll, is responsible for the oversight of the corrective actions.

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

Sincerely,

John Nicklow, PhD, PE, PH, DWRE
President



THE UNIVERSITY of
NEW ORLEANS
OFFICE OF THE PRESIDENT

November 2, 2020

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

Dear Mr. Purpera,

RE: Incorrect Reporting of Loan Activity in the Schedule of Expenditures of Federal Awards

The University of New Orleans concurs with the finding that Federal Direct Student Loans were incorrectly reported in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2020.

The finding was the result of a miscommunication between the two departments responsible for collecting and reporting the loan data. The University will add a second level of review of the SEFA to ensure that this does not occur future years.

Mr. David Muscarello, Manager of Financial Reporting and General Accounting 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. Gloria J. Walker, Vice President for Business Affairs, at 504-280-6209.

Sincerely,

John Nicklow, PhD, PE, PH, DWRE
President



THE UNIVERSITY *of*
NEW ORLEANS
OFFICE OF THE PRESIDENT

March 10, 2021

Thomas H. Cole, CPA
Temporary Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Cole,

RE: Noncompliance with Gramm-Leach-Bliley Act – Student Information Security

The University of New Orleans concurs with the finding that the Gramm-Leach-Bliley Act (GLBA) risk assessment was not completed and documented for the fiscal year ended June 30, 2020.

The finding was the result of the Information Technology Department not being aware of the GLBA risk assessment requirements of performing the GLBA risk assessment, and documenting the safeguards for identified risks before the end of the fiscal year.

The University will correct this finding by incorporating the requirements of the GLBA into its current risk assessment processes, and documenting those risks and associated safeguards to further mature its Information Security Program in alignment with GLBA standards. UNO will initiate this corrective action by completing a comprehensive risk and security assessment aligned with GLBA standards using an independent third-party vendor. This risk and security assessment will be completed by the fiscal year ending June 30, 2021.

Mr. William (Billy) Martinez, UNO Chief Information Security Officer 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. Gloria J. Walker, Vice President for Business Affairs, at 504-280-6209.

Sincerely,

John Nicklow
President
The University of New Orleans



THE UNIVERSITY of
NEW ORLEANS
OFFICE OF THE PRESIDENT

March 16, 2021

Thomas H. Cole, CPA
Temporary Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

RE: Noncompliance with Borrower Data Reconciliation Requirement

Dear Mr. Cole,

The University of New Orleans partially concurs with the finding for noncompliance with Borrower Data Reconciliation requirements. Although the School Account Statement (SAS) data was not used during its monthly reconciliation process with the Dept. of Education's Common Origination and Disbursement (COD) system, all originations and disbursements were reconciled with COD and General Accounting to confirm the amount to drawdown. Originations and Disbursements are reviewed after each file is sent to COD for processing. Biweekly, reviews between Financial Aid and General Accounting are conducted to ensure reconciliation in the Direct Loan Program. The reviewed aid year's reconciliation process with Direct Loans were successfully closed out. Our formal procedure was given during the audit review, but the SAS was not used and therefore no review was completed to meet the regulatory requirements to do so.

The University will correct this finding immediately by including the SAS during its Direct Loan reconciliation process. A comprehensive FSA Assessment will be reviewed by internal audit to ensure compliance transpires by the end of 2021 AY for the upcoming DoE Borrower Data Reconciliation. Monthly internal reviews will be schedule to ensure this process follows all reconciliation requirements performed by Financial Aid and General Accounting Offices.

Ann Lockridge, Sr. Director of Financial Aid, Sch., and VA Services and David Muscarello, CPA, Manager, Financial Reporting and General Accounting are responsible for the oversight of the corrective actions.

Sincerely,

John W. Nicklow
President, UNO

cc: Gloria Walker
Ann Lockridge
David Muscarello



THE UNIVERSITY *of*
NEW ORLEANS
OFFICE OF THE PRESIDENT

December 9, 2020

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

RE: Failure to Certify and Approve Time and Attendance Records

Dear Mr. Purpera,

The University of New Orleans (UNO) concurs with the finding that UNO employees did not follow established payroll policies and procedures for certification and approval of time and attendance records.

The finding was the result of the fact that unclassified and university faculty employees and employees' supervisors who are required to certify employees time did not respond to the electronic certification form for the time period reviewed.

UNO is transitioning to a new enterprise resource planning system – Workday (WD) on January 4, 2021. Payroll certification is incorporated into WD's submit time and leave approval process. UNO will discontinue the current use of the separate electronic certification form, and rewrite the payroll policies and procedures to align with the new WD payroll time and leave approval, and certification process. In the interim of the transition to WD, the University will add an additional level of review of the currently used electronic certification form and approval of time and attendance records process to ensure this does not occur again.

Mr. David Armstrong, Manager of Payroll, 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. Gloria J. Walker, Vice President for Business Affairs and CFO, at 504-280-6209.

Sincerely,

John Nicklow, PdD, PD, DWRE
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of New Orleans (UNO) for the period from July 1, 2019, through June 30, 2020, 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. Our procedures, summarized below, were a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2020.

- We evaluated UNO's operations and system of internal controls 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 certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the Student Financial Assistance Cluster for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards for the year ended June 30, 2020, as a part of the 2020 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's management for significant variances.

In addition, we performed procedures related to UNO's change in payment structure for its non-academic, unclassified employees. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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 purposes.

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.