

# UNIVERSITY OF NEW ORLEANS

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

**Management Letter**  
**Issued January 11, 2023**

**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



January 2023

Audit Control # 80220038

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## Introduction

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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, 2022, 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; evaluate the effectiveness of UNO's internal controls over financial reporting and compliance; and determine whether UNO complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the UNO management letter dated June 1, 2022. We determined that management has resolved the prior-year findings related to Overpayments to Employees and Noncompliance with Borrower Data Reconciliation Requirements. The prior-year finding related to Failure to Certify and Approve Time and Attendance Records has not been resolved and is addressed again in this letter.

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### Current-year Findings

#### Management Override of Controls Over Public Works Project

UNO did not ensure that the purchase and installation of a new boiler, costing \$214,979, was in accordance with university policies and procedures over public works projects. Failure to follow established university policies and procedures over public works projects increases the risk of overpayment for services, fraud, and/or error.

UNO management personnel deliberately circumvented university policies and procedures for public works projects by using a preexisting maintenance and repair contract to purchase and install the boiler. The Facility Services department did not

prepare a project manual and did not provide a list of three contractors to the Purchasing department to obtain quotes, as required by university policies. Instead, UNO management allowed the existing maintenance and repair contractor to request the quotes; receive unsealed quotes; recommend a winning contractor, which was accepted by UNO; and buy and pay for the boiler. In addition, UNO did not record the boiler as a capital asset in its financial records.

Per university policies for public works projects over \$30,000 and up to \$250,000, the Facility Services department is required to prepare a project manual that includes drawings, technical specifications, and other relevant information, and must provide at least three contractors to the Purchasing department to obtain quotes. A copy of the project manual is provided to the contractors on or before the pre-quote meeting. All sealed quotes from contractors are required to be received and opened publicly by the Purchasing department. The Facility Services department selects the most favorable quote and submits it to the Associate Vice President for approval. University of Louisiana System Policy requires equipment costing \$5,000 or more to be capitalized and depreciated.

UNO management should ensure that all established policies and procedures over public works projects and capitalization of capital assets are followed. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 1-2).

### **Theft of Cash Received by the Athletics Department**

UNO Athletics Department management identified several instances of theft of cash receipts, estimated at approximately \$3,600, from two different secure locations. The exact amount of the thefts could not be determined because management could not locate the supporting documentation for the collections that were stolen.

The Athletics Department collects cash for ticket sales, concessions, parking, and other activities related to athletic events. Athletics Department policy requires that a reconciliation be performed after each athletics-related event to ensure that all funds collected are accounted for and deposited in the bank. The first theft, which occurred early in October 2021, was identified when the employee responsible for reconciling the funds collected for athletics-related events attempted to perform the required reconciliation. After discovering that cash was missing, Athletics Department management conducted an investigation and reported the theft to the UNO Police Department. As a result of this theft, UNO implemented an additional control to limit access to one of the secure locations. However, 10 days later, two more thefts were reported to the UNO Police Department. Athletics Department management then implemented a control to monitor access to the secure location. However, another theft occurred in November 2021. Athletics Department management completed its investigation and concluded that the thefts were likely committed by an employee with knowledge of the controls and access to override those controls. The employee was subsequently terminated.

Inadequate controls over cash increases the risk that funds could be stolen or misused. Athletics Department management should emphasize compliance with established policies and procedures to its employees and monitor them to ensure they are complying with those policies and procedures, and should ensure that all documentation related to the collection of funds for athletics-related events is maintained. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 3-4).

### **Failure to Certify and Approve Time and Attendance Records**

For the third consecutive audit, 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.

In a test of time and attendance records for pay periods ending in fiscal year 2022, two (6%) of 33 employees who were required to certify their time did not do so for the time period reviewed, and therefore the supervisor was unable to certify the accuracy of the time charged by the employee. In addition, UNO's payroll policies and procedures do not require salaried employees to certify their time prior to the disbursement of payroll.

A review of the time certification report covering all of fiscal year 2022 disclosed that an additional 738 (4%) of 16,677 Time Calendars were not certified by employees.

UNO's payroll policies and procedures require all leave eligible academic and non-academic/non-classified employees to electronically certify their attendance and leave on a per pay period basis via their Time Calendar in Workday. Prior to submitting the certification, the employee should review it to ensure all forms of time and leave appear on their Time Calendar and are accurate. The employees certify that they have completed all work responsibilities, 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 approve the Time Calendar for the employees under his/her supervision. 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 enforce 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, pages 5-6).

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## Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2022, 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** - 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 net of Scholarship Allowances, 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 findings related to Management Override of Controls Over Public Works Project, Theft of Cash Received by the Athletics Department, and Failure to Certify and Approve Time and Attendance Records, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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## Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2022, we performed procedures 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 information submitted by UNO to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings.

Based on the results of these procedures, we did not report any findings. In addition, UNO's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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**Other Procedures**

In addition to the System and Single Audit procedures noted above, we performed certain procedures related to UNO's previous change in payment structure for its non-academic, unclassified employees to follow up on a prior-year finding.

Based on the results of these procedures, we did not report any findings.

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,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

CJH:CRV:BQD:EFS:aa

UNO 2022



## **APPENDIX A: MANAGEMENT'S RESPONSES**

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THE UNIVERSITY *of*  
**NEW ORLEANS**  
OFFICE OF THE PRESIDENT

November 29, 2022

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

Dear Mr. Waguespack,

RE: Management Override of Controls Over Public Works Project

The University of New Orleans (UNO) concurs with the audit finding that management personnel did not follow our policies and procedures over public works projects and capitalization of capital assets. The employment of the previous Vice President for Business Affairs, who consciously and deliberately circumvented our agency policies and procedures, has been terminated.

As corrective measures to this finding, the Purchasing and Facility Services offices have been made aware of this finding and have collaborated and updated the University's policies and procedures by adding a section relevant to our maintenance contractor that is labeled "Public Works Projects Up to \$250,000, by UNO Maintenance Contractor". In addition, the two offices have agreed to communicate with each other any difficulties in the contractual and purchasing process relevant to capitalized equipment. And to ensure compliance and adherence to internal controls, Purchasing is responsible for communicating these policies and procedures through training sessions with management and end users every fiscal year. Facility Services is responsible for ensuring that Accounting Services is made aware of capital asset purchases by UNO's Maintenance Contractor on behalf of the university.

Ms. Melanie Champagne, Director, Design & Construction - Facility Services, and Mr. Troy Bacino, Assistant Director, Purchasing, are responsible for the oversight of the corrective action. Mr. Mark Pyle, Associate Vice President for Facility Services and Ms. Susan Varble, Director Purchasing, and Mr. David Muscarello, Director of Accounting and Financial Services and Reporting, are responsible for the follow-through of the corrective actions to ensure the discontinuance of this finding. Mr. Pyle, Ms. Varble, and Mr. Muscarello report to Ms. Joanne N. Terranova, Interim Vice President for Business Affairs.

Should you have any questions, please call me directly or my primary point of contact, Ms. Terranova, at 504-280-6209.

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THE UNIVERSITY *of*  
**NEW ORLEANS**  
OFFICE OF THE PRESIDENT

Sincerely,

John Nicklow, PH, PE, PH, DWRE  
President

cc: Mark Pyle  
Susan Varble  
David Muscarello



THE UNIVERSITY *of*  
**NEW ORLEANS**  
OFFICE OF THE PRESIDENT

December 8, 2022

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

Dear Mr. Waguespack,

RE: Theft of Cash Received by the Athletics Department

The University of New Orleans (UNO) concurs with the audit finding that there was theft of cash received by the Athletics department. The employee suspected of committing the theft has been terminated.

As corrective measures to this finding, the Athletics Department updated its cash handling procedures. As of November 3, 2022, Athletics accepts tenders in the form of checks and credit cards for ticket sales, concessions, parking, rentals, Foundation-related gifts, and other activities related to athletic events. Generally, Athletics will not accept cash, and they no longer have a petty cash fund. In an instance when cash is inadvertently received, the Assistant Athletics Director for Business Operations will reconcile cash with the staff member who accepted the cash. A deposit transmittal form will be created and the Deputy Athletics Director will sign off on the deposit. Cash will be delivered to either the Bursar's Counter or UNO Foundation no later than the end of the business day. Should the deposit need to take place after normal business hours, drop-box locations will be used. The Assistant Athletics Director for Business Operations will verbally inform the cash acceptor of the department's Cash Handling Policies. The Deputy Athletics Director will email the individual who received cash and reinforce the department's Cash Handling Policies.

As part of internal control measures, segregation of duties has been established, and different individuals are responsible for making deposits, receiving payments, and reconciliation of accounts. After each Athletics event, a reconciliation will be performed to ensure that all funds are collected and accounted for and made ready for deposit into the bank. Event reconciliations should be maintained in the Athletics department and will be completed on the day of the event.



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Mr. Francis “Gene” Durand, the Assistant Athletic Director, Business Operations and Mr. Steven Stroud, the Deputy Athletics Director are responsible for the oversight of the corrective action. Mr. Timothy Duncan, Vice President for Athletics & Recreation is responsible for the follow-through of the corrective action to ensure the discontinuance of this finding.

Should you have any questions, please call me directly or my primary point of contact, Ms. Joanne Terranova, at 504-280-6209.

Sincerely,

John Nicklow, PH, PE, PH, DWRE  
President

cc: Timothy Duncan  
Francis “Gene” Durand  
Steven Stroud



THE UNIVERSITY *of*  
**NEW ORLEANS**  
OFFICE OF THE PRESIDENT

November 29, 2022

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

Dear Mr. Waguespack,

RE: Failure to Certify and Approve Time and Attendance Records

The University of New Orleans (UNO) concurs with the audit finding that employees did not follow established payroll policies and procedures for the certification and approval of time and attendance records. The termination of the previous Vice President for Business Affairs caused a delay in the University implementing measures to prevent this additional audit finding.

UNO's management, in July 2021, fully implemented an Attendance Certification Status Report that the Payroll Department can run at any time to verify that employees have certified their attendance and leave time and that supervisors have approved the accuracy of their employees' attendance and leave time. Faculty can certify their attendance and leave time weekly and/or monthly; whereas unclassified staff can certify their attendance and leave time weekly or biweekly. Since the employees covered under this policy are unclassified, exempt from FLSA, and salaried employees, not hourly, UNO's management believes the policy currently in place meets the requirements set forth in Louisiana Revised Statute 17:3311 A (3). And due to the limitations of the current setup of the Workday system, it is not possible to require the certification and approval of time and attendance records prior to payroll being disbursed. For this to happen, it would take a major overhaul of our current time entry system, at major cost, and potentially convert salaried employees into hourly for compensation purposes. Because of this, UNO's management does not foresee a reason to revise the policy to include making the certification process a requirement before the disbursement of payroll.

As corrective measures to the finding, UNO has updated the AP-BA-41.5 Attendance Leave Records - Faculty, Unclassified Staff, and Classified Staff policy with the following language, "Attendance and leave records shall be maintained for all faculty and unclassified employees. These attendance records shall be certified and submitted by the employee and approved by their supervisor in Workday at the end of



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**NEW ORLEANS**  
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each regular pay period, monthly for faculty and biweekly for unclassified staff.” Additionally, all employees were emailed instructions for time and leave certification and informed that failure to submit and approve the required certifications in Workday each pay period shall result in progressive discipline, up to and including termination for both the employee and supervisor. Also, instructions for certifying attendance have been added to UNO’s New Employee Orientation.

Mr. David Armstrong, Payroll Manager, is responsible for the oversight of the corrective action when an employee does not certify time and attendance and for notifying Human Resources Management (HRM) of employee noncompliance. Mr. Douglas Mittelstaedt, University Compliance & Employee Relations Officer - HRM, is responsible for any necessary disciplinary action relevant to noncompliance of university policies. Mr. David Muscarello, Director of Accounting and Financial Services and Reporting, and Ms. Karen Paisant, Associate Vice President, HRM are responsible for the follow-through of the corrective actions to ensure the discontinuance of this finding. Both Mr. Muscarello and Ms. Paisant report to Ms. Joanne N. Terranova, Interim Vice President for Business Affairs.

Should you have any questions, please call me directly or my primary point of contact, Ms. Terranova, at 504-280-6209.

Sincerely,

John Nicklow, PH, PE, PH, DWRE  
President

Cc: David Armstrong  
David Muscarello  
Karen Paisant

## APPENDIX B: SCOPE AND METHODOLOGY

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We performed certain procedures at the University of New Orleans (UNO) for the period from July 1, 2021, through June 30, 2022, 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, are 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, 2022.

- 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 status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 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 on UNO's previous change in payment structure for its non-academic, unclassified employees to follow up on a prior-year finding. 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.