

UNIVERSITY OF NEW ORLEANS
UNIVERSITY OF LOUISIANA SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JUNE 1, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

University of New Orleans



June 2022

Audit Control # 80210100

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, 2021, 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

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the UNO management letter dated June 14, 2021. We determined that management has resolved the prior-year findings related to Incorrect Reporting of Loan Activity in the Schedule of Expenditures of Federal Awards and Noncompliance with Gramm-Leach-Bliley Act – Student Information Security Requirements. The prior-year findings related to Overpayments to Employees, Noncompliance with Borrower Data Reconciliation Requirements, and Failure to Certify and Approve Time and Attendance Records have not been resolved and are addressed again in this letter.

Current-year Findings

Overpayments to Employees

For the second consecutive audit, 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 672 non-academic, unclassified employees previously identified by UNO as comprising the affected pay group.

We reviewed payments to selected employees in the affected pay group who were employed prior to the transition to the new bi-weekly payment method and who terminated during fiscal year 2021 to identify any possible overpayments. Our test identified that the 15 employees reviewed received overpayments totaling approximately \$17,786. As projected to the population of employees meeting our criteria in a report of terminations that occurred in fiscal year 2021, 38 employees appear to have been overpaid between January 2019 and June 30, 2021, approximately \$45,870 as a result of the improper execution of this change in payment structure. Additional overpayments could also be made to the remaining active employees in the affected pay group as they terminate employment with UNO. As of June 30, 2021, there were 374 remaining active employees in the affected pay group.

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, and proper review of final payments to employees upon termination. In response to the prior-year report finding, UNO management responded that it would correct this issue by calculating final paychecks using a manual calculation of employees' per day salary rates instead of a system generated final payment for the affected employee pay group. Although auditors were provided some manual calculations performed in a review by UNO, calculations were not performed for all employees meeting the affected criteria, and those calculations that were completed appeared inaccurate. In addition, UNO recorded a receivable in the financial statements for calculated overpayments for employees who terminated prior to fiscal year 2021 without any notice to the affected former employees of any overpayments due back to UNO.

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; continue consulting 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 responded by explaining that its position is that no overpayments to employees occurred during the change in payment structure, but concurred that overpayments occurred because UNO personnel failed to follow payroll processes for calculating the terminated employees' final paychecks. Management provided a plan of corrective action (see Appendix A, pages 1-2).

Noncompliance with Borrower Data Reconciliation Requirements

For the second consecutive audit, UNO management did not ensure that monthly reconciliations of the School Account Statement (SAS) data files to the institution's financial records were performed 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. For the three months selected for review, UNO did not provide evidence to show that the cash summary information on the SAS was reconciled to its financial records. UNO did provide evidence to show that its monthly disbursements and adjustments were reconciled to the SAS, however, there was no evidence to show when the reconciliations were prepared. As a result, we could not determine if the reconciliations were prepared on a monthly basis as required.

UNO's written procedures did not include adequate details to ensure that all of the required reconciliations were performed on a monthly basis and that adequate supporting documentation was maintained. Management should modify its written procedures for completing the monthly reconciliations to include all required components of the reconciliation and to provide specific guidance on the supporting documentation to be maintained as evidence that the reconciliations were performed on a monthly basis. Management partially concurred with the finding and provided a plan of corrective action (see Appendix A, page 3).

Failure to Certify and Approve Time and Attendance Records

For the second 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 covering the period of January 1, 2021, through June 30, 2021, four (20%) of 20 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.

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 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, pages 4-5).

Financial Statements - University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2021, 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, 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, 2021, 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 for the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings.

UNO's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, 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 previous change in payment structure for its non-academic, unclassified employees to follow up on a prior-year finding.

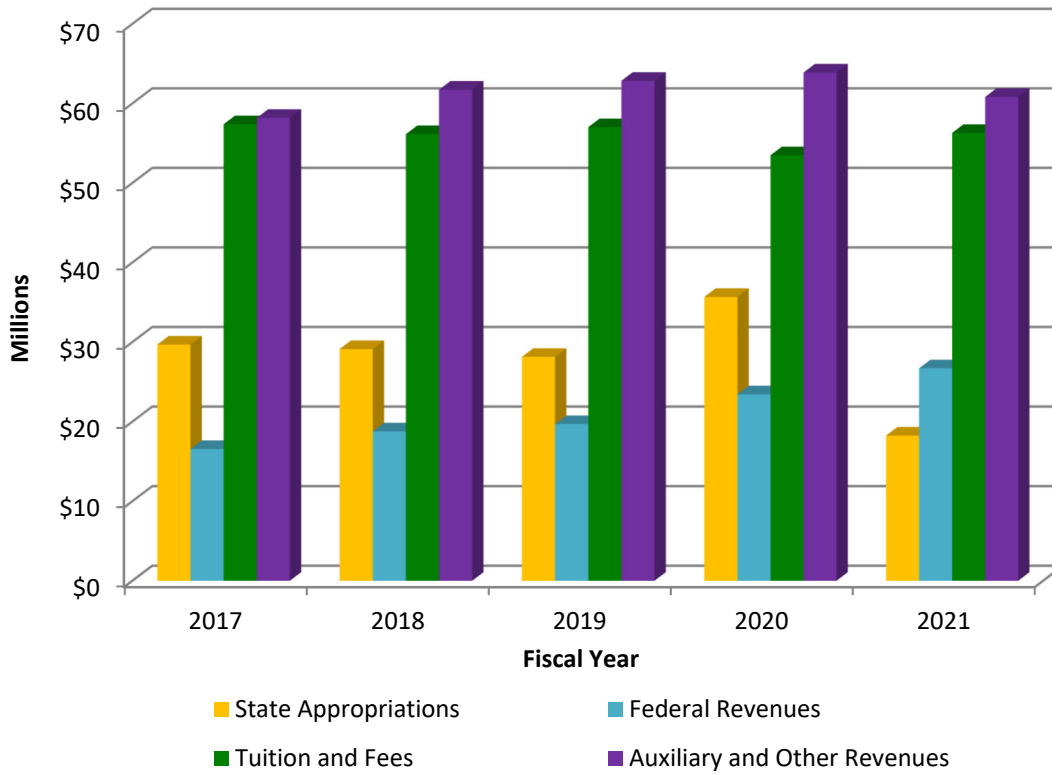
Based on the results of these procedures, we reported a finding on Overpayments to Employees, as described previously.

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.

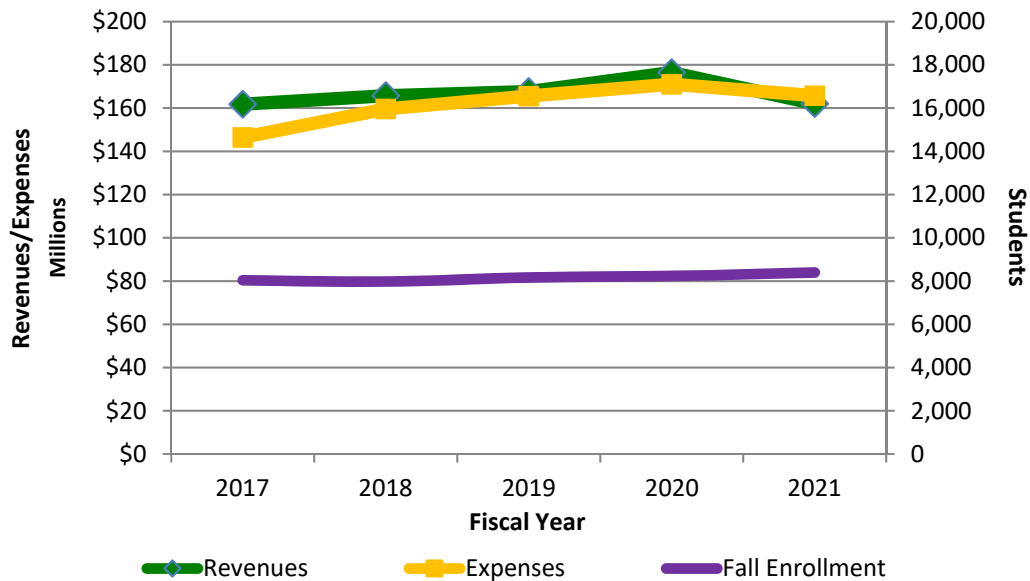
In analyzing financial trends of UNO over the past five fiscal years, revenues and expenses increased by 0.16% and 13.16%, respectively. Total expenses decreased from the prior year by 3.08%, and total revenues decreased by 8.16%. The majority of the decrease in revenues relates to decreases in state appropriations, which decreased by approximately \$17.4 million. This decrease was mainly due to the receipt of supplemental appropriations in Act 255 of the 2020 Regular Session that were recorded as revenue in fiscal year 2020, but used in fiscal year 2021, as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Exhibit 1: Five-Year Revenue Trend



Source: Fiscal Year 2017-2021 Annual Fiscal Reports, as adjusted

Exhibit 2: Fiscal/Enrollment Trends



Source: Fiscal Year 2017-2021 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 finding 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 2021

APPENDIX A: MANAGEMENT'S RESPONSES



THE UNIVERSITY *of*
NEW ORLEANS
OFFICE OF THE PRESIDENT

May 9, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397
RE: Overpayments to Employees

Dear Mr. Waguespack,

The University of New Orleans management's position is that no overpayments to employees occurred during the transitioning from the semi-monthly to the Workday ERP system biweekly payment structure for non-academic, unclassified employees in January 2019.

Although Workday is designed to accrue, or hold back, one week of pay for employees, UNO's plan to transition the affected employees into this new payment structure would first involve compensating employees on a salary basis without arrears, which was a change from previous practices. And, at the time of termination of employment, UNO would withhold 6 days of pay from the employee's final paycheck.

Hence, the University concurs that we failed to follow our own payroll processes for withholding the 6 days of pay at termination and calculating manually a per day salary rate for terminated employees from January 2019 to date of termination. The University will immediately correct this finding by calculating the final paycheck using a manual calculation of employees' salary per day rate instead of the system generated final payment for those future terminated employees who were employed at the time of UNO's transition to Workday. We are currently researching methods in Workday to automatically calculate the final paycheck of this pay group.

Additionally, we will recalculate the final paycheck of those employees who terminated in fiscal year 2021, setup associated receivables by June 30, 2022, and seek collections. Mr. David Armstrong, Payroll Manager, is responsible for the oversight of the corrective action when an employee terminates employment. Mr. David Muscarello, Director of Accounting and Financial Services and Reporting is responsible for the follow-through of the corrective actions to ensure the discontinuance of this finding. Both individuals report to Ms. Joanne N. Terranova, Interim Vice President for Business Affairs.



THE UNIVERSITY *of*
NEW ORLEANS
OFFICE OF THE PRESIDENT

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

Sincerely,

John W. Nicklow
President
The University of New Orleans



THE UNIVERSITY of
NEW ORLEANS
OFFICE OF THE PRESIDENT

January 14, 2022

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

Dear Mr. Waguespack,

RE: Noncompliance with Borrower Data Reconciliation Requirements

The University of New Orleans (UNO) partially concurs with the second consecutive audit finding that the University did not ensure that monthly reconciliations of the School Account Statement (SAS) data files to the institution's financial records were performed as required by federal regulations. The University of New Orleans is performing the required reconciliation to the satisfaction of the Department of Education each federal aid year. UNO, as noted in the findings, did provide evidence to show that its monthly disbursements and adjustments were reconciled to the SAS, but did not provide evidence to show that the cash summary information on the SAS was reconciled to its financial records. The General Accounting Department's staff began reconciling the cash balance as of month ending December 31, 2021 and will continue this monthly reconciliation to the SAS cash summary going forward.

UNO's management agrees to develop a more detailed written procedure illustrating each specific component of its reconciliation process. Additionally, UNO will maintain supporting documentation that demonstrates conclusive evidence that the reconciliation is completed on a monthly basis by both all responsible parties, i.e., Financial Aid Department and General Accounting Services Department.

Ms. Ann Lockridge, UNO Sr. Director of Financial Aid and Veteran Affairs Services, and David Muscarello, CPA, Manager for Financial Reporting and General Accounting are 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, CPA, 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

February 23, 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. With Workday going live in January 2021, the University's primary focus was making numerous modifications and adjustments to the payroll module, getting employees trained on the module, and getting employees paid accurately and timely, which did not lend sufficient time to fully develop and implement the new certification process for employees and supervisors prior to going live. The new certification process is now fully developed and implemented.

UNO's management, in July 2021, fully implemented a 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 bi-weekly. 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). 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.

Mr. David Armstrong is the Payroll Manager, and David Muscarello, CPA, Director of Accounting and Financial Services and Reporting are responsible for the oversight of the corrective action.



THE UNIVERSITY *of*
NEW ORLEANS

OFFICE OF THE PRESIDENT

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

Sincerely,

John Nicklow, PhD, PE, PH, DWRE
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the University of New Orleans (UNO) for the period from July 1, 2020, through June 30, 2021, 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, 2021.

- 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, 2021, as a part of the 2021 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.