# UNIVERSITY OF NEW ORLEANS
# UNIVERSITY OF LOUISIANA SYSTEM
# STATE OF LOUISIANA

## MANAGEMENT LETTER
## ISSUED DECEMBER 26, 2013

**LOUISIANA LEGISLATIVE AUDITOR**
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LOUISIANA LEGISLATIVE AUDITOR
**DARYL G. PURPERA, CPA, CFE**

December 11, 2013

**UNIVERSITY OF NEW ORLEANS**
**UNIVERSITY OF LOUISIANA SYSTEM**
**STATE OF LOUISIANA**
New Orleans, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the University of Louisiana System's (System) financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2013, we conducted certain procedures at the University of New Orleans (university) for the period from July 1, 2012, through June 30, 2013.

- Our auditors obtained and documented an understanding of the university's operations and system of internal control, including controls over the major federal award programs administered by the university, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the university.

- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the university's annual fiscal reports and/or system-generated reports and obtained explanations from management for any significant variances. We also analyzed the university's revenues, expenses, enrollment, and degrees awarded over the last four years.

- Our auditors considered internal control over financial reporting and examined evidence supporting the university's account balances and classes of transactions material to the System's financial statements as follows:

  **Statement of Net Position -** Cash and cash equivalents, investments, receivables, due from state treasury, capital assets, accounts payable and accruals, deferred revenues (summer 2013 only), bonds payable, and net position

  **Statement of Revenues, Expenses, and Changes in Net Position -** Net student tuition and fees, federal, state and local, and nongovernmental grants and contracts revenues, state appropriations, federal nonoperating revenues, capital appropriations, and education and general expenses

We also tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2013, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the federal Research and Development Cluster for the fiscal year ended June 30, 2013, as part of the Single Audit of the State of Louisiana.

The Annual Fiscal Report of the university was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The university's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included one significant finding in this letter for management's consideration.

**Inaccurate Annual Fiscal Report**

The university did not compile an accurate Annual Fiscal Report (AFR) for the fiscal year ended June 30, 2013. Although the university submitted two revisions to the original AFR in an attempt to correct errors, the final revision still contained several significant errors that had to be corrected with additional audit adjustments.

Significant errors identified by the auditors in the original AFR and subsequent revisions included material misclassifications of accounts, omissions of required note disclosures, incorrect note disclosures, and unbalanced financial statements. Of these, specific significant errors included an $18.3 million misclassification, the improper note omission of $9.7 million in issued bonds, the improper note inclusion of a $69.7 million capital lease, and a cash flow statement unbalanced by $1.7 million. In addition, numerous minor adjustments were needed to agree statements to note disclosures, to agree statements to each other, to agree beginning balances to the prior ending balances, and to correct footing errors.

Good internal control requires management to perform a thorough review of its AFR prior to submitting it to the University of Louisiana System (System) for inclusion in the System's financial statements; however, management did not perform a thorough review of the initial AFR or the subsequent revisions. 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.

University management should develop a written AFR review process to include (1) a reasonableness comparison between the current and prior year AFR, (2) a formal accounting-basis crosswalk for each component unit, and (3) a final competent review of the AFR before submitting to the System. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A).

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

The purpose of this letter is solely to describe the scope of our work at the university and not to provide an opinion on the effectiveness of the university's internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KML:DG:BDC:THC:mk

UNO2013

# APPENDIX A

## Management's Corrective Action Plan and Response to the Finding and Recommendation

THE UNIVERSITY *of*
NEW ORLEANS

OFFICE OF THE PRESIDENT

December 6, 2013

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 concurs that the Annual Financial Report for the fiscal year ended June 30, 2013 was not compiled accurately and contained several significant errors that had to be corrected with additional audit adjustments. The university has taken the following measures to address this matter:

- A written review process will be prepared to address deficiencies in the preparation, review and submission of the AFR. Completion by February 28, 2014.
- To correct errors resulting from our component units (UNO R&T Foundation and UNO Foundation) timely submission of their financial statements and notes in the GASB format will provide adequate time for review and preparation of the blended and discrete presentations. Submission must meet OSRAP requirements. Deadline to UNO will be June 30.
- UNO R&T Foundation and UNO Foundation auditors will be required to prepare a formal accounting-basis crosswalk for each component unit to assist with AFR presentation. Deadline to UNO will be June 30.
- Following our initial AFR preparation with component units, UNO will conduct a reasonableness comparison between the current and prior year prior to ULS submission.
- To correct our presentation errors resulting from the embedded Word file, UNO will prepare a PDF document to serve as an aid.
- Prior to each submission deadline, a thorough review of all documents will be conducted to ensure the accuracy of the report.

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

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