

UNIVERSITY OF NEW ORLEANS
LOUISIANA STATE UNIVERSITY
STATE OF LOUISIANA



MANAGEMENT LETTER

ISSUED DECEMBER 19, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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STEVE J. THERIOT, CPA
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November 30, 2007

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

As part of our audit of the Louisiana State University System's financial statements for the year ended June 30, 2007, we considered the University of New Orleans' internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the university's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*. In addition, we considered the University of New Orleans' internal control over compliance with requirements that could have a direct and material effect on a major federal program, as defined in the Single Audit of the State of Louisiana, and we tested the university's compliance with laws and regulations that could have a direct and material effect on the major federal programs as required by U.S. Office of Management and Budget Circular A-133.

The annual financial information provided to the Louisiana State University System by the University of New Orleans was not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The university's accounts are an integral part of the Louisiana State University System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the University of New Orleans for the year ended June 30, 2006, we reported findings relating to missing/stolen movable property, overpayment of terminated employees, inadequate controls over time sheet approvals, inadequate support and untimely reimbursement requests, lack of employee leave documentation, inadequate subrecipient monitoring, and inadequate federal grant records. These findings have been resolved by management, except for the finding on missing/stoken movable property, which was not resolved and is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2007.

Unlocated Movable Property

For the second consecutive year, the University of New Orleans (UNO) reported significant amounts of movable property that could not be located. In addition, UNO management did not notify the legislative auditor and district attorney of thefts immediately as required by law. Good internal control requires that adequate control procedures be in place to ensure that movable property is properly safeguarded against loss arising from unauthorized use or theft. In addition, Louisiana Revised Statute (R.S.) 24:523 states, "An agency head of an auditee who has actual knowledge of any misappropriation of public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation." Furthermore, Louisiana Administrative Code Title 34 Part VII Section 313 (A) states, in part, that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. Property unlocated after three years is permanently deleted from movable property records.

R.S. 39:324 and 39:325 require entities to conduct an inventory of movable property and identify amounts of unlocated property in an annual certification submitted to the Louisiana Property Assistance Agency (LPAA). The certification of movable property submitted to LPAA by UNO reported significant amounts of unlocated movable property as a result of the university's most recent property inventory procedures. The university's annual certification of property inventory to LPAA disclosed \$68,229,092 in total movable property, which includes 421 items of movable property as unlocated with a total value of \$987,155 for the current fiscal year. In addition, the total movable property includes items that remain unlocated over the previous three years with a total value of \$2,260,742. Computer-related items of the movable property reported as unlocated in the current fiscal year totaling \$726,394 consisted, in part, of the following:

- 130 desktop computers
- 156 laptops/notebook computers
- 36 multimedia projectors
- 6 monitors
- 6 digital cameras/camcorders
- Various other computer-related property items

The university also reported approximately 83 items of movable property with an approximate value of \$132,474 as missing/stolen to the legislative auditor and the Orleans Parish District Attorney's Office in the current fiscal year. Many of the items of movable property reported missing/stolen were not reported to the legislative auditor and parish district attorney, as stipulated by R.S. 24:523, for up to six months after the department head or other responsible university employee determined that the event had occurred.

Failure to adequately monitor, secure, and account for all movable property and locate those items for which there are no explanations available for their disappearance subjects the movable property of UNO to increased risk of loss and/or unauthorized use. Because immediate notification of stolen or missing property was not made to the legislative auditor and Orleans Parish District Attorney by university management, UNO is subject to noncompliance with R.S. 24:523. Furthermore, because of the nature of services provided by the university, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

UNO's management should take the necessary measures to strengthen internal control over movable property to ensure that all movable property is adequately secured and monitored, physical inventories are conducted accurately, and additional efforts are devoted toward locating movable property reported as unlocated. In addition, UNO's management should develop and implement control procedures to ensure that R.S. 24:523 compliance requirements are met. Management concurred in part 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 varying 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. Findings relating to the university's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the university and its management, others within the university, and the Louisiana State Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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UNO07

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Management's Corrective Action
Plan and Response to the
Finding and Recommendations



THE UNIVERSITY of
NEW ORLEANS

TIMOTHY P. RYAN, CHANCELLOR

October 15, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Management Response to Unlocated Movable Property

Dear Mr. Theriot:

In response to the October 2, 2007 single audit finding entitled "Unlocated Moveable Property," the University of New Orleans provides the following information.

For the second consecutive year, the University reported significant amounts of moveable property that could not be located.

The University concurs in part with this finding, considering the extreme circumstances presented in the aftermath of Hurricane Katrina. Both this year and last year do not represent normal conditions for the control of moveable property at the University. The University's annual certification of property inventory submitted to LPAA disclosed \$68,229,092 in total movable property, which included 421 items of moveable property as unlocated with a total value of \$987,155, or 1.45%, for the current fiscal year. Although this is higher than preferred levels, we believe that it is understandable when the specific circumstances are considered. Although Hurricane Katrina occurred in August, 2005, the majority of the missing equipment was a direct result of this storm for the reasons listed below:

- 1) After Hurricane Katrina, ten UNO buildings were inventoried in late 2005 and early 2006, prior to the completion of mold remediation by outside contractor under the supervision of the State of Louisiana. During the inventory, \$223,522.89 in equipment was located and was reported as found on the University's September 28, 2006 inventory report. The same buildings were inventoried again after mold remediation was completed for fiscal year 2006-2007 and the equipment was missing. Since all personnel were prohibited access and access was limited only to contractors under the supervisions of the State for mold remediation, it became clear that remediation contract personnel were responsible for even more missing equipment than we realized last year. The University received a finding from the Office of the Legislative Auditor following the submission of its September 28, 2006 inventory report (for fiscal year 2005-06) for "failure to maintain adequate control over

moveable property” during the post-storm period. Inventories are normally conducted over a nine-month period, however due to lack of access to buildings on the main campus and the closure of others, the University requested and received from the Louisiana Property Assistance Agency an exemption from completing the annual 2005-2006 inventory. The exemption was granted in mid-August allowing the university to complete the inventory by the following September; however, the Office of the Legislative Auditor required an audit within September of that same year, a process that normally requires nine months. If the University would have had time to re-inventory buildings after remediation, \$223,523 worth of missing items would have been reported last fiscal year. This would have increased our total amount of missing items for which we received a finding last year. However, this would have reduced our unlocated property for the current fiscal year by 23%.

- 2) Several UNO buildings were inventoried shortly after mold remediation while equipment was still in boxes. The equipment was scanned while in the boxes, but when the buildings were inventoried for fiscal year 2006-2007, after September 28, 2007, equipment valued at \$99,477.28 could not be located. This was a result of Hurricane Katrina and amounts to 10% of the current year’s unlocated property.
- 3) Due to extreme conditions, including lack of time and staff to conduct the inventory, the number of equipment movements necessitated by damaged or closed buildings and, the timing issues discussed above, it was impossible to conduct the inventory in the thorough and complete manner to which it would be completed over a nine month time frame. As predicted in the University’s response to the FY 2005-2006 moveable property audit finding, the University has since located many of the items originally listed as missing in the September 28, 2006 inventory report (approximately a third of the total value). Unfortunately, when the University submitted its September 28, 2006 inventory report, one of the things that we were unable to do (because of time and personnel shortages) was verify the status of all notebook computers. After working with the departmental equipment custodians, if there was no evidence that the notebook was missing, it was assumed to be in the custody of its entrustee. Later, university personnel were able to thoroughly track university notebook computers for our 2006-2007 inventory (after September 28, 2006), and determined that \$360,311.53 worth of notebooks were missing/stolen/lost.

Considering the extenuating circumstances listed above, \$683,311 (\$223,523+\$99,477+\$360,311) of our missing and stolen equipment for fiscal 2006-2007 was a direct result of losses incurred as a result of Hurricane Katrina, even though these losses appeared on later inventories. Thus, missing/stolen property not directly related to Hurricane Katrina totals \$303,844 or .45% of total inventory.

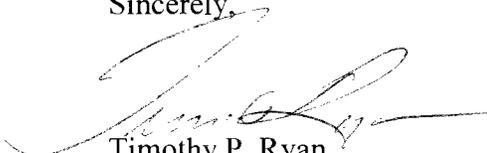
Also, because the University of New Orleans has experienced a dramatic increase in the loss of notebook computers, as a deterrent to theft and as a means to locate missing notebooks, a committee composed of Jim Burgard, Assistant Vice Chancellor for University Computing and Communications, Tom Harrington, Assistant Vice Chancellor for Public Safety, and LaKenya Collins, Director of Internal Audit have identified an electronic monitoring device which will be installed on all new laptop purchases.

UNO management did not notify the District Attorney and Legislative Auditor of thefts immediately as required by law in accordance with R.S. 24:523.

The University concurs that eight police reports from a total of 77 for the fiscal years 2006 and 2007 were not reported timely, but were reported by UNO to the Office of the Legislative Auditor and the Attorney General on August 15, 2007. This error was discovered by the University's proactive action to reconcile and validate records. This discrepancy was promptly reported to the Office of the Legislative Auditor. In order to correct this issue, all reports will now be submitted directly by Campus Police to the Office of the Legislative Auditor and the Attorney General with copies forwarded to the Director of Internal Audit. Tom Harrington, Chief of Police, will be responsible for the implementation of this corrective action.

In conclusion, the University concurs in part with the findings listed above. The University has implemented a corrective action plan to insure that the University does not report significant amounts of unlocated moveable property in the future and that we notify the District Attorney and Legislative Auditor of thefts immediately as required by law in accordance with R.S. 24:523. The University does feel that it is important to acknowledge that the conditions of noncompliance would not have occurred had it not been for the devastation caused by the worst natural disaster to hit the United States in recorded history.

Sincerely,



Timothy P. Ryan
Chancellor