

STATE OF LOUISIANA

**University of New Orleans
Louisiana State University System
State of Louisiana
New Orleans, Louisiana**

February 11, 2004



LEGISLATIVE AUDITOR

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

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

Management Letter
Dated December 19, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

February 11, 2004



OFFICE OF
LEGISLATIVE AUDITOR
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December 19, 2003

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, 2003, 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 an opinion.

In our prior management letter on the University of New Orleans for the year ended June 30, 2002, we reported findings relating to lack of internal controls over certain payroll functions and the misappropriation of university funds. These findings have been resolved by management. Also, in the prior Single Audit Report of the State of Louisiana for the year ended June 30, 2002, the University of New Orleans' Summary Schedule of Prior Federal Audit Findings reported a finding from the year ended June 30, 2001, on untimely grant and loan refunds to the Student Financial Assistance Cluster - Federal Family Education Loans and Federal Pell Grant Program that had not been resolved in the year ended June 30, 2002. This finding has been resolved by management.

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, 2003.

Noncompliance With State Procurement Regulations

In a report dated February 6, 2003, the Louisiana State University (LSU) System internal auditors found that the University of New Orleans (UNO) did not comply with state laws and regulations for emergency purchases. Louisiana Revised Statute (R.S.) 38:2212

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defines the conditions for emergency purchases, and State Purchasing Rules and Regulations provide that the existence of such conditions create an immediate and serious need for supplies, services, or major repairs that cannot be met through normal procurement methods. The LSU System internal auditors tested 44 emergency purchases by UNO during the period July 1, 2000, to June 30, 2002, which were greater than \$5,000. The system internal auditors found various questionable practices and instances of noncompliance, including six purchases totaling \$518,000 that did not constitute emergency purchases. In a letter dated February 5, 2003, Louis V. Paradise, UNO's former Executive Vice Chancellor and Provost, generally concurred with the system's internal audit findings and recommendations and outlined plans of corrective action.

That internal audit precipitated an additional audit report by the LSU System internal auditors on UNO's Office of Facility Services, dated May 21, 2003, which found the following:

- The process for obtaining quotes from contractors for university public works projects has created the appearance of improprieties and the opportunity for misconduct and has resulted in inaccurate public records.
- UNO made payments to project designers that were inadequately supported.
- A public works project totaling \$321,000 was awarded without regard for the competitive process as required by public bid law.
- The UNO Office of Facility Services withheld critical information from UNO's Purchasing Office and obligated the university for goods and contractual services without prior approval.

The system's internal audit report noted that UNO's management should take actions to ensure the integrity of Facility Services' procurement processes, including segregation of duties. Also, UNO's management should ensure that all payments are fully supported and adequately documented, in accordance with the terms of the agreement, and as required by UNO's Purchasing Office policies and procedures. The system's internal audit report additionally recommended that management should ensure that public works projects are awarded by competitive sealed bids as required by R.S. 38:2212. In a written response dated May 19, 2003, Gregory M. St. L. O'Brien, UNO's former Chancellor, outlined plans of corrective action to the findings in the system's internal audit report. For additional information on the system's internal audit reports on UNO's emergency purchases or UNO's Facility Services, please contact the LSU System Office of Internal Audit at (225) 578-5475.

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**Failure to Submit a Document Retention
Schedule to State Archives**

UNO failed to submit a document retention schedule to State Archives as required by state law. R.S. 44:411(A)(1) requires the head of every agency to submit to the state archivist record retention schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been created or received by the agency.

Management of UNO was not aware of the requirement to submit the required documentation to State Archives. Failure to submit and receive an approved retention schedule increases the risk of the untimely destruction of vital information that could be needed in the future or the university incurring excessive storage cost for documents that will never be needed.

UNO should obtain the necessary information to prepare and submit a retention schedule to State Archives as soon as possible. Once the retention schedule is approved, it should be implemented immediately. 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 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 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,



Grover C. Austin, CPA
First Assistant Legislative Auditor

Appendix A

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



UNIVERSITY OF NEW ORLEANS

OFFICE OF THE CHANCELLOR

November 21, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Austin:

Please find below our Management Response to the FY 2002-2003 audit finding of "Failure to Submit Document Retention Schedule to State Archives".

The University concurs with the finding regarding its failure to submit a document retention schedule to State Archives in accordance with R.S. 44:411(A)(1). We first became aware of this requirement when completing the Financial and Compliance Representation Letter for the Legislative Auditor in early June. Since then, the University has taken the necessary first step to ensure that our campus will soon be in compliance with the Statute. Our Chief Financial Officer, Vice Chancellor Linda Robison, and Dr. Sharon Mader, Dean of the University's Earl K. Long Library, have met to discuss what might be the best approach to take with a project of such magnitude. Dr. Mader has suggested that a member of her staff be designated as the records officer and further that this individual chair a campus wide committee of representatives from academic and administrative units whose responsibility shall be to formulate a records retention policy. We anticipate that the first meeting of the Records Management Committee will take place in the month of December.

The individual responsible for the implementation of the corrective action shall be Dr. Florence M. Jumonville, Associate Librarian and Chair of the Louisiana/Special Collections Department in the Earl K. Long Library. Dr. Jumonville has agreed to serve as the University's Records Officer.

We believe that the corrective measure described above will bring the University into compliance with R.S. 44:411(A)(1). It is anticipated that the work of the Committee will be completed by June 30, 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy P. Ryan".

Timothy P. Ryan
Chancellor