

# UNIVERSITY OF NEW ORLEANS

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

**Management Letter**  
**Issued January 29, 2025**

**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**  
BETH Q. DAVIS, CPA

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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

University of New Orleans



January 2025

Audit Control # 80240066

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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, 2024, 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 to the procedures noted above, we also performed certain other procedures for the period July 1, 2023, through June 30, 2024.

We also determined whether management has taken actions to correct the finding reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in UNO's management letter dated March 6, 2024. We determined that management has resolved the prior-year finding related to Inadequate Cybersecurity Response Documentation.

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### Current-year Findings

#### Ineffective Internal Audit Function

UNO did not have an effective internal audit function and did not fully adhere to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (IIA Standards), increasing the risk that UNO's internal control processes will not be effective or efficient.

During fiscal year 2024, UNO issued one internal audit report for an audit that was initiated in fiscal year 2022 and was based upon the approved annual audit plan for fiscal year 2020. In addition, audit hours allocated in the approved annual audit plan for fiscal year 2024 were not used for projects outlined in the plan, and no reports related to those projects were issued.

A postsecondary institution that has an appropriation in the general appropriation bill of \$30 million or more is required by Louisiana Revised Statute 36:8.2 to have an internal audit function that adheres to the IIA Standards. Considering UNO was appropriated \$103 million for fiscal year 2024, an effective internal audit function is important to ensure that UNO's assets are safeguarded and management's policies and procedures are uniformly applied. The IIA Standards require the internal auditor to establish a risk-based plan to determine the priorities of the internal audit activity, communicate the plan to senior management and the board for review and approval, and ensure that internal audit resources are effectively used to achieve the approved plan. Management did not place sufficient emphasis on ensuring that adequate internal audit activities were performed in accordance with the approved annual audit plan and the IIA Standards.

Management should ensure that internal audit activities are performed in accordance with the approved annual audit plan, fully adhere to the IIA Standards, and contribute to the effectiveness and efficiency of UNO operations, including internal control processes. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 1).

### **Inadequate Controls over Accounts Receivable**

UNO did not comply with the System's Students with Debt policy, including calculating the allowance for doubtful accounts for student receivables. UNO also failed to provide adequate support that delinquent student accounts were timely reported to the Louisiana Attorney General (AG) for collection in accordance with System and UNO policies, as well as with state law.

In addition to the student-related accounts receivable noted above, UNO failed to provide adequate support that they timely transferred delinquent accounts to the AG for collection related to separated employees who were overpaid in fiscal year 2019 as a result of the execution of a change in payment structure for its non-academic, unclassified employees. Based on an outstanding receivable report provided by management, as of June 30, 2024, receivable balances for these employees totaled approximately \$240,000.

Failure to comply with System policy could increase the risk that UNO's allowance for doubtful accounts is overstated or understated in its annual financial report. Failure to timely submit delinquent accounts for collection increases the risk that the accounts will become uncollectible.

The System's Students with Debt policy requires each of its universities to establish a justifiable policy to establish an allowance for doubtful accounts relating to

delinquent student accounts receivable that is based on historical data and collection experience and is systematic. This policy also requires that, after the university has exhausted internal collection efforts, it is to assign all delinquent accounts to an attorney or outside collection agency for additional collection efforts. UNO's accounts receivable policy requires that delinquent debts, which would include debts owed to UNO by separated employees, be transferred to the AG for collection. State law requires agencies to refer delinquent debts to the AG for collection when the debt has been delinquent for 60 days, or other time period as incorporated into agreements with the AG.

Management does not have adequate internal controls to ensure compliance with the System's Students with Debt policy for determining the allowance for doubtful accounts for student receivables and timely reporting delinquent accounts receivable to the AG in accordance with established policies and state law.

Management should establish a written policy for determining an allowance for doubtful accounts relating to student receivables that complies with System policy and should provide supervisory oversight to ensure that all delinquent accounts are timely transferred to the AG for collection to ensure compliance with System and UNO policies as well as with state law. Management concurred in part with the finding, stating that the process used to calculate the allowance for doubtful accounts for student receivables was sufficient to satisfy System policy, which does not provide a methodology to be used. Management concurred with the remainder of the finding and provided a plan of corrective action (see Appendix A, page 2).

**Additional Comments:** While the System policy does not provide a methodology to be used for calculating the allowance for doubtful accounts for student receivables, the policy does require that the methodology used by each university be based on historical data and collection experience. UNO's methodology for calculating the allowance for doubtful accounts for student receivables was based on the write-off of student accounts that had no activity for the previous three years and provided no basis for using that method.

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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, 2024, 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** – Due from State Treasury, and Capital Assets

**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, State and Local Grants and Contracts, Auxiliary Revenues net of Scholarship Allowances, State Appropriations, and Federal Nonoperating Revenues

**Expenses** – Educational and General

Based on the results of these procedures on the financial statements, we reported a finding related to Inadequate Controls over Accounts Receivable, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are 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.

Based on the results of these procedures, we included information related to this matter in the reported finding titled Inadequate Controls over Accounts Receivable, as described previously.

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### **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.

The recommendations in this letter represent, in our judgment, those that will most likely 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

DF:CRV:RR:BQD:aa

UNO 2024





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

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August 13, 2024

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

RE: Ineffective Internal Audit Function

Dear Mr. Waguespack,

The university acknowledges that the auditor function was not effective, efficient and did not adhere to appropriate professional standards. We concur with the Louisiana Legislative Auditor finding and recommendation.

The University of New Orleans (UNO) auditor resigned her post on March 17, 2024. UNO and Nicholls State University (Nicholls) plan to combine their internal audit function. On May 16, 2024, UNO and Nicholls posted the position for the Director of Internal Audit. We anticipate that the new hire will be in place no later than October 31, 2024.

Mamie Sterkx Gasperecz, Vice President of Finance and Administration and Chief Business Officer, is responsible for the corrective action with the support of Karen Paisant, AVP of HRM, and at the direction of Dr Kathy Johnson, President of the University of New Orleans.

If you have any additional questions, please do not hesitate to contact me. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kathy E. Johnson'.

Kathy E. Johnson, President



THE UNIVERSITY of  
NEW ORLEANS  
OFFICE OF THE PRESIDENT

January 3, 2025

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

Dear Mr. Waguespack,

RE: Inadequate Controls over Accounts Receivable

The University of New Orleans (UNO) concurs in part with the audit finding for inadequate controls over accounts receivable.

UNO contends that the process used to calculate the amount required to be setup for allowance for bad debt at June 30, 2024 was sufficient to satisfy the UL System policy which does not provide a methodology to be used as it is left up to the individual university to determine the methodology to use. UNO calculated an allowance amount that would allow for the write-off of student accounts that had no activity for the previous three years.

The University concurs with the part of the finding that it did not timely transfer delinquent student accounts to the Attorney General (AG) for collection. Prior management directed Accounts Receivable not to send student accounts to collections. Delinquent student accounts were only sent to the AG in June 2024. The corrective action will be to send the delinquent accounts to the AG per State law. Ms Karenlynn Bell, Accounts Receivable Manager will be responsible for implementing and following through with the corrective action plan.

The University also concurs with the part of the finding that it failed to timely transfer delinquent accounts to the AG for collection related to separated employee salary overpayments in fiscal year 2019. UNO implemented a corrective action plan in December 2024. Human Resource Management sent collection letters to the former employees with balances giving them until January 31, 2025 to contact the Accounts Receivable Department to make payment arrangements for paying the balance to the University. Any former employee that does not pay the balance or setup a payment plan by January 31, 2025 will be sent to the AG for collections. Ms Bell will be responsible for ensuring that the corrective action plan is carried out.

Should you have any questions, please call me or my primary point of contact, Edwin Litolff, Vice President of Finance and Administration, at 504-280-6155.

Sincerely,

Kathy Johnson, Ph.D.  
President  
The University of New Orleans

## 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, 2023, through June 30, 2024, 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, 2024.

- 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 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. 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.