The University of Nebraska

Management Letter

For the Year Ended June 30, 2023

Issued on February 9, 2024

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 11, 2023

The Board of Regents
University of Nebraska

We have audited the financial statements of the University of Nebraska (University), a component unit of the State of Nebraska, for the year ended June 30, 2023, and have issued our report thereon dated December 11, 2023.

Our audit procedures were designed primarily to enable us to form an opinion on the Basic Financial Statements. Our audit procedures were also designed to enable us to report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use the knowledge of the University's organization gained during our work to make the following comments and recommendations, which we hope will be useful to you.

The following is a summary of our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Our complete report can be found with our report on the financial statements of the University dated December 11, 2023.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of the University as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 11, 2023. Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the University of Nebraska Medical Center (UNMC) Science Research Fund, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units), as described in our report on the University's financial statements. The financial statements of the Foundation and the Blended Component Units were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

University's Response to Findings

We did note certain other matters that we reported to management, which are included in the following Schedule of Findings and Responses. The University's responses to our findings are described below. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

SCHEDULE OF FINDINGS AND RESPONSES

1. Financial Statement Errors

During our audit of the financial statements of the University of Nebraska (University), we noted errors that resulted in significant misstatements. We proposed the University adjust its financial statements to correct the identified misstatements. The University did adjust the financial statements for all proposed adjustments.

The following are the significant misstatements the University corrected:

- **UNMC Deferred Revenue**: The University of Nebraska Medical Center (UNMC) overstated the amount it reported as fiscal year 2023 deferred revenue (and offsetting accounts receivable) by $15,379,233. The amount it recognized as deferred revenue did not agree to support it provided, and some of the deferred revenue it recognized was offset by accounts receivable instead of cash receipts.

- **UNL Statement of Cash Flows (SCF)**: During our review of the SCF that the University of Nebraska Lincoln (UNL) prepared, we noted the following:

    - UNL inconsistently reported cash flows associated with its service concession agreements in fiscal years 2023 and 2022. This resulted in it overstating fiscal year 2022 cash outflows for payments to vendors by $13,629,588. This overstatement was offset by overstatements of cash inflows for sales and services of auxiliary activities and cash inflows for grants and gifts.

    - UNL overstated fiscal year 2022 non-cash transactions for acquisitions of right-to-use assets through subscription obligations by $6,567,971. It also overstated fiscal year 2022 non-cash transactions for increases in lease receivables through deferred lease arrangements by $3,977,696. The amounts UNL reported included subscription obligations and leases UNL entered into prior to fiscal year 2022 and were thus not truly fiscal year 2022 transactions.

- **UNMC Graduate Medical Education (GME) Payment**: UNMC understated fiscal year 2023 private grants and contracts revenue and supplies and services expenditures by $12,000,000. The campus netted together a match payment it made to the State with a payment it received from Nebraska Medicine instead of reporting the two transactions as gross amounts. UNMC considered the Nebraska Medicine payment to be a reimbursement for the payment it made to the State, but this was not supported by documentation provided.

- **UNMC Depreciation**: UNMC overstated its fiscal year 2022 depreciation expenses by $11,449,769. UNMC improperly included the following in the amount it reported as fiscal year 2022 depreciation expenses:

    - Total accumulated depreciation of buildings it removed from its accounting system and later re-added back with new values.

    - Depreciation for equipment it disposed in fiscal year 2021.

- **UNOP Insurance Claims Paid**: The University of Nebraska Office of the President (UNOP) miscalculated the net amount of claims paid for the University's trustee insurance programs. The University reports a portion of the net claims paid on its fiduciary-activity statements. However, it did not remove the fiduciary portion of the claims when it prepared its business-type activity statements. This resulted in the following misstatements:

    - A $9,103,875 overstatement of compensation and benefits expenses and an offsetting overstatement of other operating revenue

    - A $9,103,875 overstatement of cash outflows for payments to employees and an offsetting overstatement of cash inflows for other receipts on its SCF

- **UNOP SCF Error**: When UNOP consolidated the University-wide SCF, it failed to eliminate fiscal year 2022 cash flows between University campuses and a blended component unit of the University. This resulted in the following overstatements on the University's fiscal year 2022 SCF:

    - Cash Outflows for Payments to Vendors — Overstated by $8,397,000
    - Cash Inflows for Grants and Contracts — Overstated by $4,873,000
    - Cash Inflows for Sales and Services of Educational Activities — Overstated by $2,909,000
    - Cash Inflows for Sales and Services of Auxiliary Operations — Overstated by $615,000

- **UNMC Lease Revenue Recognition**: During our review of lease revenue UNMC recognized, we noted the following errors:

    - UNMC initially pulled in a $7,320,000 payment it received under a lease as operating state and local grants and contracts revenue. It needed to post entries to remove the payment from operating revenue and then to properly recognize non-operating revenue under GASB 87 requirements. However, it improperly removed the revenue from private grants and contracts revenue instead of state and local grants and contracts revenue. This resulted in a $7,320,000 overstatement of state and local grants and contracts revenue and an understatement of private grants and contracts revenue by the same amount.

    - UNMC recognized $940,331 in lease revenue associated with reductions in deferred inflows as operating revenue instead of as non-operating revenue.

- **UNOP Investment Purchase and Sales**: UNOP did not properly quantify the amount of cash inflows for sales of trusteed insurance program investments on its SCF. This error resulted in UNOP under-reporting such inflows by $6,871,774 and under-reporting cash outflows for investment purchases by the same amount.

- **UNL Nebraska Opportunity Grant (NOG) Revenue**: UNL improperly reported $6,109,689 in fiscal year 2023 and $6,077,070 in fiscal year 2022 NOG funds received from the Nebraska Coordinating Commission for Postsecondary Education as other operating revenue instead of as state and local grants and contracts revenue. This presentation was inconsistent with that of other campuses. Additionally, as the revenue was received from a State agency, presentation of the revenue as state and local grants and contracts revenue is more appropriate.

- **UNMC SCF Errors**: During our review of UNMC's fiscal year 2023 SCF, we noted the following errors:

    - UNMC reported fiscal year 2022 Direct Lending activity in fiscal year 2023. This resulted in the campus understating cash inflows for Direct Lending receipts by $1,967,739 and understating cash outflows for Direct Lending payments by the same amount.

    - UNMC did not include capital expenditure in accounts payable transactions coded to all of its funds in the amount it reported as non-cash transactions for such activity. This resulted in the campus understating this amount by $2,370,280.

- **UNMC Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) Revenue**: UNMC improperly reported $1,843,106 in fiscal year 2023 CSLFRF revenue as operating Federal grants and contracts revenue instead of as non-operating Federal grants and contracts revenue.

- **Fiduciary Statement Errors:** During our review of the University's fiduciary activity statements, we noted the following:

    - UNL improperly reported both accounts receivable and accounts payable on its Statement of Fiduciary Net Position for outside scholarship activity. It should have reported the total net difference between outside scholarship additions and deductions as an account payable without recognition of an accounts receivable. UNL reporting resulted in overstatement of accounts receivable and accounts payable by $541,649.

- o UNOP reported $145,006 in revenue (and related expenditures) that it contributed to the Nebraska Statewide Workforce & Educational Reporting System (NSWERS) on its Statement of Changes in Fiduciary Net Position. As this is University own-source revenue, UNOP should not have reported this activity on its fiduciary statements. UNOP reporting resulted in overstatement of fiduciary other additions and other deductions by $145,006.

- o UNOP misclassified $63,218 in fiduciary-type revenue for refunds received under the University's trusteed insurance programs as reductions in employer-sponsored cafeteria plan deductions instead of as other additions.

In addition to the above audit differences, we also noted the following during out review of audit of the University's financial statements:

> **Foundation Investment Purchase and Sales**: The University did not have an adequate process in place to determine cash inflows from investment sales and cash outflow for investment purchases for University investments managed by the University of Nebraska Foundation. To support these amounts, UNOP obtained a spreadsheet from the University of Nebraska Foundation that summarizes investment purchase and sale activity by month and by fund manager. However, UNOP did not obtain detailed support for the amounts reflected on the spreadsheet. The University determined that if it used purchase and sales amount per the Foundation, its financial statements would not properly balance. It used the purchases and sales amount per the Foundation – $78,024,731 in purchases and $54,270,113 in sales – as a starting point but ultimately reported $71,621,281 in purchases and $55,935,389 in sales on its SCF. Thus, the University ultimately reported $6,403,450 less in purchases and $1,665,276 more in sales than were reflected on the support provided.

A good internal control plan and sound accounting practices require financial information to be complete and accurate. This includes procedures to ensure the financial statements are correct, and adjustments are made to rectify all known significant misstatements. Without such procedures, there is an increased risk that material misstatements may occur and remain undetected.

A similar finding was noted in our prior audits.

> We recommend the University strengthen procedures to ensure financial information is complete, accurate, and in accordance with accounting standards.

Management Response: The University strives to present financial statements accurately and in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). We will continue to explore the cost/benefit return of increasing resources to implement additional review processes.

2. <u>Disclosure Errors</u>

During our review of financial statement disclosures provided by the University, we noted the following:

- **Capital Asset Disclosures:** The University failed to disclose all capital asset detail required by the Governmental Accounting Standards Board (GASB). It did not disclose the following activity for its lease and Subscription-Based Information Technology Arrangements (SBITAs) right-to-use intangible capital assets: capital acquisitions (additions), sales or other dispositions (deletions), and current-period depreciation (amortization) expenses. Following APA inquiry, due to time constraints, the University elected not to add the required disclosures. It stated it plans to add the disclosures next year.

- **Related-Party Lease Disclosures**: UNMC has a lease agreement with Nebraska Medicine (a related party of the University) for space within the Comprehensive Cancer Center. Paragraph 90 of GASB 87 states, in part, "The nature and extent of leasing transactions with related parties should be disclosed." However, the University failed to disclose the nature and extent of lease transactions with Nebraska Medicine. Following APA inquiry, it added such disclosure to its Related-Party Transactions Footnote. The University disclosed $32,637,555 in fiscal year 2022 and $22,660,473 in fiscal year 2023 lease receivables under the lease.

- **Commitment and Contingencies Disclosures**: The University did not properly quantify the amount budgeted and expended for construction of two UNMC facilities when it prepared its Commitment and Contingencies footnote. This resulted in it understating the amount it disclosed as budgeted (estimated costs) for construction of facilities by $19,989,428 and understating the estimated remaining costs to complete these projects by $17,974,231. Following APA inquiry, it corrected these errors.

A good internal control plan and sound accounting practices require financial information to be complete and accurate. This includes procedures to ensure financial statement disclosures are correct, and adjustments are made to rectify all known significant disclosure errors. Without such procedures, there is an increased risk that material misstatements may occur and remain undetected.

> We recommend the University strengthen procedures to ensure financial information, including information disclosed in footnotes, is complete, accurate, and in accordance with accounting standards.

Management Response: The University strives to present financial statements, and accompanying footnotes, accurately and in accordance with generally accepted accounting principles as prescribed by the Government Accounting Standards Board (GASB). We will continue to explore the cost/benefit return of increasing resources to implement additional review processes.

3. General Ledger Transactions in SAP

The workflow in the SAP, the University's accounting system, does not require separate preparers and posters of General Ledger (GL) type transactions, primarily journal entries that do not result in vendor payments. As a result, certain individuals throughout the University could complete GL transactions from beginning to end without a documented secondary review and approval in SAP. The University did have a policy in place to review any journal entries (JE), payroll journal entries (PJ), NIS (refers to E1) journal entries (ND), University-only journal entries (UU), and non-Federal ACH receipt (CN) transactions over $49,999, or $499 when involving Federal funds, to address this inherent system weakness.

During our audit of the GL security roles in SAP, we identified 508 users who could prepare and post GL entries in SAP without a system-required secondary review or approval. The 508 users are noted by location below, along with the GL document types they could prepare and post:

Campus	# of Users
UNK	5
UNL	239
UNMC	207
UNO	34
UNOP	23

(Document Types: JE – Journal Entry, IB-Internal Charges Batch, and IC-Internal Charges Online)

A secondary role allowed 84 of those users to prepare and post additional GL document types. The 84 users are noted by location below, along with the GL document types they could prepare and post:

Campus	# of Users
UNK	5
UNL	31
UNMC	19
UNO	17
UNOP	12

(Document Types: CN – ACH Receipt, ND – NIS Journal Entry, UU – University Only Journal Entry, UA – Accrual Journal Entry, TN – Interstate Billing Transaction, and PJ – Payroll Journal Entry)*

**NIS refers to the State's EnterpriseOne accounting system.*

A good internal control plan requires a proper segregation of duties to ensure no one individual can process a transaction from beginning to end. A good internal control plan also includes adequate security controls, through the design, creation, approval, and assignment of user roles, to prevent users from performing functions that do not allow for a proper segregation of duties.

When individuals are able to complete GL transactions without a system-required secondary review or approval prior to posting the transaction to the GL, there is a greater risk for error and inappropriate GL transactions to occur and remain undetected. Additionally, in the absence of an adequate segregation of duties, there is an increased risk of loss, theft, or misuse of funds.

A similar finding was noted in our prior audits.

> We recognize that the University has a policy to review higher-risk general ledger transactions to mitigate risks related to the SAP system not having an established workflow, which would automatically require a segregation of duties in the preparation and posting of general ledger entries. Nevertheless, we continue to recommend that the University work on a system-based SAP solution as well.

Management Response: While the University believes its current review process of general ledger transactions does mitigate risk, we agree that having a workflow approval within SAP for general entries is a sound business practice. Therefore, we plan to implement approval workflow with SAP. We are in the beginning stages of implementation, and we anticipate having this completed by July 1, 2025.

4. Contracts Not on the State Contracts Database

During testing of 25 expenditures governed by contracts, eight contracts and/or amendments were not included on the State Contracts Database, as required by State statute. The contracts and/or amendments not included on the State Contracts Database were five at UNMC, two at UNO, and one at UNK.

Neb. Rev. Stat. § 84-602.04(4)(a)(i) (Cum. Supp. 2022) requires the Department of Administrative Services' web site to contain the following:

> *A data base that includes a copy of each active contract that is a basis for an expenditure of state funds, including any amendment to such contract and any document incorporated by reference in such contract. For purposes of this subdivision, amendment means an agreement to modify a contract which has been reduced to writing and signed by each party to the contract, an agreement to extend the duration of a contract, or an agreement to renew a contract. The data base shall be accessible by the public and searchable by vendor, by state entity, and by dollar amount. All state entities shall provide to the Department of Administrative Services, in electronic form, copies of such contracts for inclusion in the data base beginning with contracts that are active on and after January 1, 2014,* . . . .

A similar finding was noted in our prior audits.

> We recommend the University include all of its contracts on the State Contracts Database in a timely manner to comply with State statute.

Management Response: The University is in the stages of migrating to a new procurement and contract management system. The new system automates the upload process into the State Contracts Database, therefore ensuring compliance with state statute. The anticipated full implementation of this system is April 2024.

5. Password Settings

The University's Identity Management system is used for setting a global password policy to authenticate to various applications. The University also manages various directories, where it establishes password settings used to authenticate to University applications.

During our review of the University's Identity Management system, we noted instances of noncompliance with the National Institute of Standards and Technology (NIST) Digital Identity Guidelines. Similarly, our review of the University's directories revealed noncompliance with the University's own Information Technology Standards.

Additional detail was provided to the University.

A similar finding was noted in our prior audits.

> We recommend the University implement procedures to ensure: a) its Identity Management system complies with NIST Digital Identity Guidelines; and b) its directories are set up in accordance with the University's own Information Technology Standards.

Management Response: Password settings for local administrative accounts in Nebraska Business Information Systems (NeBIS} were previously set to a minimum required length of eight characters. That setting was updated on January 21, 2024, to a minimum required length of ten characters.

The lockout duration for a failed login attempt in NeBIS was reported as being five minutes. NeBIS allows the user three failed login attempts and then the login window is closed. The user is then allowed three additional login attempts and the login window is closed a second time. After the third series of three failed login attempts (nine total failed attempts) the user is locked out of the login window until the account is reset by a system administrator.

Session cookies settings for NeBIS are currently set at nine hours. The NeBIS team is reviewing that setting and may reduce it during the scheduled February 2024 system maintenance window.

6. User Terminations

For 4 of 25 terminated Nebraska Student Information System (NeSIS) users tested, access was not removed within three business days of the employees' last working date. The time it took to remove access ranged from 8 to 47 business days. The four users were at UNL. For one of those users, access was not removed timely because the employee's termination was not reported promptly via the human resources system; moreover, the user's access was not disabled expeditiously after the termination was reported. Human resources reported this user's termination five business days after she terminated, and her access was disabled two business days after her termination was reported. The other three UNL users retained access after their last working date while they were on leave.

For 1 of 25 terminated SAP users tested, access was not removed within three business days of the employee's last working date. The time it took to remove access was 77 business days. The user was at UNK. This user retained access after her last working date while she was on leave.

Section 5 of the University of Nebraska's Executive Memorandum No. 16 ("Policy for Responsible Use of University Computers and Information Systems") (Revised May 11, 2022) states the following:

> *Unauthorized access to Information Systems is prohibited. . . . As individuals' relationships with the University change or terminate, their authorized access to systems, services, and data shall be adjusted in accordance with Board of Regents or other University polices.*

The "Information Systems" section of the University of Nebraska's Executive Memorandum No. 26 ("University of Nebraska Information Security Plan") (September 9, 2014) states, in relevant part, the following: "Access to covered data and information via the University's computer information system is limited to those employees who have a business reason to know such information."

InCommon Identity Assurance Profiles: Bronze & Silver (February 11, 2013), Section 4.2.4.2, states, "The IdPO shall revoke Credentials within 72 hours after being notified that a Credential is no longer valid or is compromised." Human resource staff are responsible for notifying the Identity Provider (IdPO) of terminations and should work to achieve access removal within a 72-hour period.

Section 4.1 of the University's ITS-02: Access, Identification and Authentication Standard (Revised February 9, 2023) states, in relevant part, "Access to University technology assets will only be provided to users based on business requirements, job function, responsibilities, or need-to-know."

Section 4.2.3 of this same standard states, in relevant part, "In the event a user is terminated, the termination must be reported via the human resources management system within twenty-four (24) hours of the user's termination, and the user's access must be effectively disabled within the following twenty-four (24) hours. In the event of emergency termination, the user access must be disabled immediately."

A good internal control plan requires that terminated SAP and NeSIS user access be removed timely, and documentation – whether by system audit records or access removal forms, or both – be available to support that such access was removed properly.

A similar finding was noted in our prior audits.

> We recommend the University strengthen procedures to ensure the appropriate staff is notified timely of all terminations of SAP and NeSIS users, thereby facilitating removal of access to those systems within three business days. The notification and removal processes should be properly documented.

Management Response: The standard operating procedure across the University system is that employees retain access to roles past the last working day while they are on leave. This applies to three UNL users found to have retained NeSIS access and the one UNK user found to have retained SAP access while on leave. This access is authorized.

As noted, the other UNL user's termination was not reported promptly. Once reported, the NeSIS access was removed within the appropriate timeframe.

7. Accounts Payable (A/P) Transactions

During our audit of the A/P security roles in SAP, we noted that six users had the ability to prepare an invoice, post it in SAP, and also approve and post it in E1. Additionally, one of the six users had the ability to create a purchase order, prepare the invoice related to the purchase order, and post the transaction in both SAP and E1. Finally, one of the six users could set up a vendor in SAP.

The A/P roles in SAP did not restrict users from posting their own transactions. Those transactions were entered into E1 through an interface process. The users above had the ability to approve and post transactions that flowed through the interface process in E1.

A good internal control plan requires a proper segregation of duties to ensure that no one individual can process a transaction from beginning to end. Such control plan also includes adequate security controls, through the design, creation, approval, and assignment of user roles, to prevent users from performing functions that do not allow for a proper segregation of duties.

A lack of segregation of duties in the A/P process allows a single individual to make purchases and pay vendors without a secondary review or approval. Additionally, some of those users had the ability to create new vendor records in SAP.

This risk allows for the possible theft or misuse of State funds.

A similar finding was noted in our prior audit.

> We recommend the University review the security design of the A/P roles in SAP and implement controls that require separate individuals to prepare and post A/P transaction types. We also recommend reviewing users with the ability to create vendors in SAP to ensure a proper segregation of duties exists.

Management Response: The University is in process of implementing a tool which will identify potential segregation of duties conflicts within all security roles in SAP at the point of role assignment. Existing role assignments will also be evaluated, and any current conflicts addressed during implementation.

8. Disaster Recovery Planning

The University maintains multiple disaster recovery and business continuity plans for the services it manages. These plans include significant IT infrastructure utilized, maintained, and operated by the University.

As part of our testing, we performed procedures to determine whether the University's disaster recovery plans had processes in place to meet specific management objectives identified in the COBIT 2019 Framework: Governance and Management Objectives. We noted the University had not completed certain activities associated with the Managed Continuity objective.

Additional detail was provided to the University.

> We recommend the University ensure disaster recovery processes meet the Managed Continuity objective in the COBIT 2019 Framework: Governance and Management Objectives.

Management Response: The University did have a formal disaster recovery exercise scheduled with SAP during FY23. Due to the rollout of new SAP functionality, the SAP team postponed the scheduled exercise, but plans to reschedule within the next fiscal year. ITS does schedule formal disaster recovery failover activities each month during scheduled maintenance windows. During FY23 DNS, Active Directory, Firewalls, WAN and other services were all tested. In addition, in October 2023 the communications disaster recovery plan for SAP was tested.

The SAP disaster recovery plan has been recently submitted by the SAP team and is formally being reviewed by disaster recovery personnel. University disaster recovery personnel have added an activity register to each disaster recovery plan that is being used to document actions and dates relevant to disaster recovery milestones, including scheduled and completed reviews and testing dates and activities.

* * * * *

It should be noted that this letter is critical in nature, as it contains only our comments and recommendations and does not include our observations on any strengths of the University.

Draft copies of this management letter were furnished to the University administrators to provide them with an opportunity to review and respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this management letter. Responses have been objectively evaluated and recognized, as appropriate, in the management letter. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The purpose of this letter is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control and compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this letter is not suitable for any other purpose.

Sincerely,

Mark Avery

Mark Avery, CPA
Assistant Deputy Auditor