The University of Nebraska

Management Letter

For the Year Ended June 30, 2024

Issued on February 7, 2025

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

December 12, 2024

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, 2024, and have issued our report thereon dated December 12, 2024.

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 12, 2024.

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, 2024, 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 12, 2024. 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:

- **UNOP Unexpended Bond Proceeds:** The University of Nebraska Office of the President (UNOP) prepares a year-end entry to ensure the amount the University reports as its net position for net investment in capital assets excludes unexpended bond proceeds. The worksheet UNOP used to prepare the fiscal year 2024 entry erroneously included the amount of cash on hand for a University bond as of June 30, 2023, instead of as of June 30, 2024. This resulted in the University overstating its net position for net investment in capital assets by $138,249,000 and understating its net position restricted for plant construction by the same amount on the University's Statement of Net Position (SNP).

- **UNOP Trusteed Insurance Net Position:** UNOP did not properly account for adjusting entries when it calculated the net position for the University's trusteed insurance programs. This resulted in the following misstatements of net position amounts on the University's SNP, by fiscal year:

Fiscal Year 2024

Net Position Category	Over (Under) Stated Amount
Externally Restricted Funds	$ (4,756,134)
Unrestricted	$ 4,756,134

Fiscal Year 2023

Net Position Category	Over (Under) Stated Amount
Externally Restricted Funds	$ 10,686,638
Unrestricted	$ (10,686,638)

- **UNMC Net Position:** The University of Nebraska Medical Center (UNMC) reported different fiscal year 2023 ending net positions on its SNP and on its Statement of Revenues, Expenditures, and Changes in Net Position (SRECNP). The amount it reported as fiscal year 2023 net position for net investment in capital assets was understated by $4,844,261.

- **UNMC Statement of Cash Flows (SCF):** During our review of the SCF that UNMC prepared, we noted the following errors:

  - UNMC reported fiscal year 2023 Direct Lending activity as fiscal year 2024 activity. This resulted in the campus understating cash inflows for Direct Lending receipts by $3,622,574 and understating cash outflows for Direct Lending payments by the same amount.

  - UNMC did not properly report fiscal year 2024 non-cash transactions for acquisitions of right-to-use (RTU) assets through subscription-based information technology arrangements (SBITAs). The amount the campus reported was understated by $1,729,043.

- **UNMC Upper Payment Limit (UPL) Revenue:** UNMC recorded a UPL payment it received from Nebraska Medicine as a negative expenditure instead of as revenue. This resulted in UNMC understating both supplies and services expenses and private grants and contracts revenues by $3,500,000.

- **UNMC Depreciation:** UNMC restated the amount it reported as fiscal year 2023 depreciation to correct various errors. When doing so, it did not properly account for $3,181,131 in error corrections. This resulted in UNMC understating its fiscal year 2023 depreciation expense by $3,181,131.

- **UNOP Trusteed Insurance Claims Paid:** UNOP miscalculated the net amount of claims paid for the University's trusteed insurance programs. This resulted in the following misstatements:

  - A $2,714,423 understatement of compensation and benefits expenses and an offsetting understatement of other operating revenues on its SRECNP.

  - A $2,714,423 understatement of cash outflows for payments to employees and an offsetting understatement of cash inflows for other receipts on its SCF.

- **UNO Tuition and Fees Revenue:** The University of Nebraska Omaha (UNO) did not consistently report tuition and fees revenue for fiscal years 2024 and 2023. UNO recognized $2,513,860 in fiscal year 2023 dual enrollment program revenue as sales and services of educational activities revenue. The campus should have reported the revenue as tuition and fees revenue.

- **UNO SCF Error:** UNO received a donated building valued at $1,956,426 during fiscal year 2024 but failed to report this as a non-cash capital gifts and grants transaction on its SCF.

- **UNMC Compensated Absences Accrual:** UNMC did not properly calculate the portion of its accrued compensated absences that was current. The campus understated the amount it reported as current accrued compensated absences by $1,629,094 and overstated the amount it reported as non-current accrued compensated absences by the same amount.

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

  - UNMC's fiduciary statements included several misstatements caused by the following:

    - UNMC reported assets and liabilities on its Statement of Fiduciary Net Position (SFNP) that were not fiduciary funds.

    - UNMC did not properly report all of its fiduciary activities on its Statement of Changes in Fiduciary Net Position (SCFNP). It initially reported only $6,000 in additions and deductions on this statement.

    - The ending net position on UNMC's SFNP and SCFNP did not agree.

    This resulted in various misstatements on the campus's fiduciary statements, including the following:

Line Item	Over (Under) Stated Amount
Cash and cash equivalents	$ 466,942
Accounts payable	$ 437,294
Scholarship receipts	$ (829,348)
Other additions	$ (820,075)
Compensation and benefits	$ (157,928)
Scholarship expenses	$ (829,348)
Other deductions	$ (619,086)

- The campuses were inconsistent in reporting of liabilities (deposits held for others) for outside scholarships received during fiscal year 2024 that were for the fiscal year 2025 academic year. UNL recognized liabilities for these receipts, while the other campuses did not. Following APA inquiry, UNO, UNK, and UNMC in total recognized $289,000 in liabilities (deposits held for others) and reduced scholarship receipts by the same amount.

- UNOP misclassified $124,633 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.

- UNO did not properly report the amount of cash and cash equivalents it held for fiduciary funds. This was caused by UNO misreporting outside scholarship cash held at year end and including cash from business-type activity on its fiduciary statements. These errors caused UNO's cash to be overstated by $99,030.

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

- **Investment Purchases and Sales:** The University did not have an adequate process in place to determine cash inflows from investment sales and cash outflows for investment purchases for investments managed at the University of Nebraska Foundation and for trusteed insurance program investments. Support provided reflected a total of $48,472,365 in investment sales and $6,251,928 in investment purchases. The University determined that if it used purchases and sales amounts per support, its financial statements would not properly balance. The University used the investment purchase and sales amount per support as a starting point but ultimately reported $45,738,972 in cash inflows from investment sales and $6,650,241 in cash outflows for investment purchases on its SCF. Thus, the University ultimately reported $2,733,393 less in sales and $398,313 more in purchases 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 prior year.

> 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 audit of financial statement disclosures provided by the University, we noted various significant errors. We proposed the University adjust its footnotes to correct the identified errors. The University did revise its footnotes to correct the identified errors.

The following are the significant disclosure errors the University corrected:

- **Component Unit Disclosures:** The University did not include all required disclosures under Governmental Accounting Standards Board (GASB) Codification 2600 for when a primary government and its component units have different fiscal year ends. Historically, the University and its component units have all had June 30 fiscal year ends. However, as of July 1, 2023, the University's blended component units switched to a March 31 fiscal year end. The timing difference in fiscal year ends resulted in inconsistencies in amounts reported as due to, due from, and so forth by the University and its component units. .121 of GASB Codification Section 2600 states:

  > *If transactions between component units that have different fiscal years result in inconsistencies in amounts reported as due to or due from, and so forth, the nature and amount of those transactions should be disclosed in the notes to the financial statements. The fiscal year of the component units included in the reporting entity should be consistent from year to year, and changes in fiscal years should be disclosed.*

  The University disclosed the nature of such inconsistences but not the amounts. The University failed to disclose the following variances caused by the change in fiscal year ends for its component units:

  - $1,371,000 due from other campuses
  - $7,351,000 current notes receivable
  - $6,741,000 non-current notes receivable
  - $23,649,000 transfers

- **Commitment and Contingencies Disclosures:** The University did not properly quantify the amount of budgeted and remaining costs for UNMC and UNO construction projects in its Commitment and Contingencies footnote. This resulted in the University understating the amount it disclosed as budgeted (estimated costs) for construction facilities by $8,545,000 and understating the remaining costs to complete these projects by $5,750,000.

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 Governmental Accounting Standards Board (GASB). We will continue to explore the cost/benefit return of increasing resources to implement additional review processes.

3. <u>General Ledger Transactions in SAP</u>

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 had the capability of completing 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 535 users who could prepare and post GL entries in SAP without a system-required secondary review or approval. The 535 users are noted by location below, along with the GL document types they could prepare and post:

Campus	# of Users
UNK	4
UNL	255
UNMC	220
UNO	34
UNOP	22

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

A secondary role allowed 97 of those users to prepare and post additional GL document types. The 97 users are noted by location below, along with the GL document types they could prepare and post:

Campus	# of Users
UNK	4
UNL	38
UNMC	23
UNO	18
UNOP	14

(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 ledger entries is a sound business practice. Therefore, we plan to implement approval workflow within SAP. We are in the beginning stages of immplementation and are striving for an implementation date of July 1, 2025.

4. Contracts Not on the State Contracts Database

During testing of 25 expenditures governed by contracts, seven contracts and/or amendments were not included on the State Contracts Database, as required by State statute.

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 applicable contracts on the State Contracts Database in a timely manner to comply with State statute.

Management Response: The University has migrated to a new procurement and contract management system, SAP Ariba. The new system automates the upload process into the State Contracts Database, therefore ensuring 100% compliance with state statute. Most of the contracts identified as not being in the state database were signed well before SAP Ariba was implemented. SAP Ariba did not go fully live across all campuses until July 2024. This is due to ensuring the 16,000 employees had the opportunity to be trained in creating contracts in SAP Ariba. We have recently once again verified that any contract created in SAP Ariba automatically uploads to the state database.

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 three failed login 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 continues to review these settings to determine the appropriate balance between minimizing disruption to the end user community and maximizing the security posture of the application. We anticipate updating the timeout setting in the spring of 2025.

6. User Terminations

During our testing, we noted the following related to access of terminated users to information systems:

- For 5 of 25 terminated Nebraska Student Information System (NeSIS) users tested, access was not removed within three business days of the employees' last working dates. The time it took to remove access ranged from 4 to 377 business days. The five users included three at UNL and two at UNO.

- For 4 of 26 terminated SAP users tested, access was not removed within three business days of the employes' last working dates. The time it took to remove access ranged from 15 to 65 business days. The four users were at UNL.

- A UNOP employee retained access to the SAP_ALL profile, which provides access to all authorizations in SAP, after his last working date. The time it took to remove access was 13 business days.

- During our review of University employees with E1 access, we noted that a UNMC employee retained E1 access after his last working date. The time it took to remove access was 19 business days.

Access was not removed timely for these users for one or more of the following reasons: 1) the employee's termination was not reported timely via the human resource systems in accordance with the University's own Information Technology Standards; 2) access was not disabled expeditiously, in accordance with the University's own Information Technology Standards, after the termination was reported; and 3) employees retained information system access after their last working date while on leave or while in an emeritus faculty role.

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 March 12, 2024) 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, the following:

> *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 information system 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, NeSIS, and E1 users, thereby facilitating removal of access to those systems within three business days. The notification and removal processes should be properly documented.

Management Response: For the NeSIS users indicated, two users at UNL appropriately retained access, one for Emeriti status and one as an on-call appointment. For the other UNL user and the two UNO users noted, the users' termination was not reported or acted upon promptly.

For the 4 terminated SAP users indicated, all access was appropriately removed one day after their last active appointment date.

For the UNOP employee with access to the SAP_ALL profile, a lack of cooperation upon separation impeded the University's ability to remove access timely.

El access removals are now initiated by the NeBIS team reporting termination information to the University Authorized Agent, who removes the access in E1. In the UNMC user identified, the NeBIS individual responsible for communicating the report was on vacation leave when the user was terminated.

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 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 a 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, one 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 audits.

> 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. Our go-live for this tool is expected in Q2 of 2025. Existing role assignments will also be evaluated, and any current conflicts addressed during implementation.

8. <u>SAP Ariba</u>

The University implemented a new electronic procurement system, SAP Ariba, during fiscal year 2024. During our review of user access to this system, we noted eight users had access to approve their own invoices in SAP Ariba and approve and post them in E1 without a secondary person involved in the process. Additionally, one of the eight users could also approve supplier registrations (set up vendors) in SAP Ariba.

Cost objects are used to assign approvers in SAP Ariba with a set or range of cost objects to approve. The University currently does not have a system-based control to prevent users from approving requisitions and invoices for cost objects they are authorized to approve. Thus, approvers could approve their own invoices and requisitions in SAP Ariba without a secondary person involved in the process. SAP Ariba transactions are entered into E1 through an interface process. The users noted above had the ability to approve and post transactions that flowed through the interface process in E1.

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, one of those users had the ability to create new vendor records in SAP Ariba. This risk allows for the possible theft or misuse of State funds.

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

Management Response: In about 105,000 cost object lines the University utilizes, nearly all have at least two people with the ability to request and two people with the ability to approve those requests. When an approval is completed in Ariba, it sends an email to all people in the request step and all people in the approval process step; therefore, the risk to the University that a person could accomplish a request and approval without anyone else noticing is very minimal. Additionally, P2P automated a monthly report that multiple people within P2P receive to review all transactions where a requester and an approver is the same person. We reach out to them and their supervisor to explain how this creates risk and to refrain from continuing that practice in the future.

* * * * *

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