

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**UNIVERSITY OF THE
DISTRICT OF COLUMBIA
INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER
FINANCIAL REPORTING
AND MANAGEMENT LETTER COMMENTS
YEAR ENDED SEPTEMBER 30, 2008**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



May 11, 2009

The Honorable Adrian M. Fenty
Mayor of the District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Vincent C. Gray
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Fenty and Chairman Gray:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2008, BDO Seidman, LLP (BDO Seidman) submitted the enclosed final report on the University of the District of Columbia's (UDC) Internal Control Over Financial Reporting and Management Letter Comments.

BDO Seidman set forth recommendations for correcting internal control weaknesses. UDC management responses are noted and, in some cases, corrective action has already been taken to remedy the noted deficiencies.

If you have questions or need additional information, please contact William J. DiVello, Assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

cc: See Distribution List

DISTRIBUTION:

Mr. Daniel M. Tangherlini, City Administrator and Deputy Mayor, District of Columbia (1 copy)
Mr. Neil O. Albert, Deputy Mayor for Planning and Economic Development (1 copy)
The Honorable Mary M. Cheh, Chairperson, Committee on Government Operations and the Environment, Council of the District of Columbia (1 copy)
Mr. Andrew T. Richardson, III, General Counsel to the Mayor (1 copy)
Ms. Carrie Kohns, Chief of Staff, Office of the Mayor (1 copy)
Ms. Bridget Davis, Director, Office of Policy and Legislative Affairs (1 copy)
Ms. Mafara Hobson, Director, Office of Communications (1 copy)
Mr. William Singer, Chief of Budget Execution, Office of the City Administrator (1 copy)
Ms. Cynthia Brock-Smith, Secretary to the Council (13 copies)
Mr. Peter Nickles, Attorney General for the District of Columbia (1 copy)
Dr. Natwar M. Gandhi, Chief Financial Officer (4 copies)
Mr. Robert Andary, Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (1 copy)
Ms. Deborah K. Nichols, D.C. Auditor (1 copy)
Ms. Kelly Valentine, Director and Chief Risk Officer, Office of Risk Management (1 copy)
Ms. Jeanette M. Franzel, Managing Director, FMA, GAO, Attention: Sandra Silzer (1 copy)
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives, Attention: Bradley Truding (1 copy)
The Honorable Edolphus Towns, Chairman, House Committee on Oversight and Government Reform, Attention: Ron Stroman (1 copy)
The Honorable Darrell Issa, Ranking Member, House Committee on Oversight and Government Reform (1 copy)
The Honorable Stephen F. Lynch, Chairman, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, Attention: William Miles (1 copy)
The Honorable Jason Chaffetz, Ranking Member, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia (1 copy)
The Honorable Joseph Lieberman, Chairman, Senate Committee on Homeland Security and Governmental Affairs, Attention: Holly Idelson (1 copy)
The Honorable Susan Collins, Ranking Member, Senate Committee on Homeland Security and Governmental Affairs (1 copy)
The Honorable Daniel K. Akaka, Chairman, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)
The Honorable George Voinovich, Acting Ranking Member, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)
The Honorable David Obey, Chairman, House Committee on Appropriations, Attention: Beverly Pheto (1 copy)
The Honorable Jerry Lewis, Ranking Member, House Committee on Appropriations (1 copy)

Mayor Fenty and Chairman Gray
FY 2008 Independent Auditor's Report on UDC's
Internal Control Over Financial Reporting and
Management Letter Comments
OIG No. 09-1-19GF(a) – Final Report
May 11, 2009
Page 3 of 3

The Honorable José E. Serrano, Chairman, House Subcommittee on Financial Services and
General Government, Attention: Dale Oak (1 copy)
The Honorable Jo Ann Emerson, Ranking Member, House Subcommittee on Financial Services
and General Government (1 copy)
The Honorable Daniel K. Inouye, Chairman, Senate Committee on Appropriations,
Attention: Charles Houy (1 copy)
The Honorable Thad Cochran, Ranking Member, Senate Committee on Appropriations (1 copy)
The Honorable Richard Durbin, Chairman, Senate Subcommittee on Financial Services and
General Government (1 copy)
The Honorable Sam Brownback, Ranking Member, Senate Subcommittee on Financial
Services and General Government (1 copy)
Dr. Allen L. Sessoms, President, University of the District of Columbia (1 copy)
Board of Trustees, University of the District of Columbia (5 copies)
Mr. William D. Eisig, CPA, Office Business Line Leader, BDO Seidman, LLP (1 copy)



BDO Seidman, LLP
Accountants and Consultants

1250 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036
Telephone: (202) 261-3565
Fax: (202) 261-3563

**Independent Auditors' 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**

To the Board of Trustees
University of the District of Columbia
Washington, DC

We have audited the basic financial statements of the **University of the District of Columbia** (the University), a component unit of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2008, and have issued our report thereon dated February 25, 2009. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the University's basic financial statements that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency described in Appendix A of this letter to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described at item 2008-01 as discussed in Appendix A of this letter to be a material weakness.



BDO Seidman, LLP
Accountants and Consultants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's basic 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the University in a separate letter dated February 25, 2009.

The University's response to the finding identified in our audit is described in Appendix A of this letter. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Mayor of the Government of the District of Columbia, the Council, the Inspector General of the District, and District management and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Washington, DC
February 25, 2009



Findings Related to Internal Controls Over Financial Reporting

2008 - 1: Year End Cut-Off and Accrual of Liabilities

University management does not have a system of internal controls in place to properly account for expenditures in the appropriate period or accrued liabilities at year end. Material adjusting journal entries were proposed as a result of the audit and recorded leave to properly account for expenditures including the year end accruals of expenses incurred before year end, vouchers payable, accrued sick, accrued leave and accrued payroll accounts:

1. The year end accrual and vouchers payable balances are comprised of goods and services received from vendors or third parties prior to fiscal year-end but the invoices were not paid and settled until the next fiscal year. There appeared to be a lack of analysis of invoices to determine in which fiscal year the goods and services were rendered and whether accrual for goods and services was necessary at year end. Further, we noted that the year end accrual and vouchers payable balances were not reviewed by the senior level accounting personnel to ensure the accuracy and completeness of the accruals.

During our audit, we found that the University failed to accrue several invoices for utilities that were related to fiscal year 2008 but were not paid until fiscal year 2009. An audit adjustment of \$330,965 was proposed and made to correct this error.

2. The year end accrual for annual leave and sick leave are comprised of accrued hours earned by employees to be paid out at a future date. During our audit, we noted several errors relating to the accrual. Of the 45 samples that were selected, 15 time sheets were not in agreement with the accrual. In addition, there were 5 employees who had accrued hours on their timesheets who were not included in the schedule provided by management. In addition, management provided a schedule with employees who had accrued hours but no pay rate to calculate their liability. Further, the schedule was not in agreement with the trial balance.
3. During the audit we found that the criteria used to record the estimated accrued payroll balance relating to retroactive pay increases for employees was not reasonably precise. From discussions with employees of the various departments we noted there was inadequate communication between the departments. The accrual was based on information obtained from the budget department which consisted of a rough estimate based on 50% of the non-union employees being included in the calculation. However, from discussion with Human Resources a specific list of people who were eligible for the retroactive pay increase was available. Therefore, the finance department should have been able produce an estimate based on people who were going to actually receive the retroactive pay increase rather than a gross percentage of total non-union employees. This led to a reduction in the liability of \$3,000,000.

Recommendation

1. We recommend that senior level accounting personnel review and approve the year end accrual and vouchers payable balances determined by the Accounts Payable Manager to



ensure the accuracy and completeness of year end accruals. Steps should be taken by the office of accounts payable to ensure that all invoices are clearly marked as to which fiscal year they relate to as well as when they are paid. Invoices that relate to the current fiscal year but were not paid until the next fiscal year should be properly accrued for in the correct fiscal year.

2. We recommend UDC implement a thorough review process to verify that the accrual for vacation and sick leave is being properly calculated and recorded.
3. We recommend that the finance department discuss significant estimates with appropriate departments to verify that the underlying assumptions are more accurate and complete.

Management Response

Management concurs with the finding.

Finding No. 1

Management concurs with the finding, and will implement the recommendation suggested of the review and approval procedures.

Finding No. 2

Management disagrees with this finding. The finding regarding the accrual schedule given without the pay rate to calculate the liability which did not agree to the trial balance, journal entry (JLRJ122A) was provided to the auditors which showed a calculation of the annual and sick leave accruals with a schedule showing net change in liability. Management concurs with the remainder of this finding.

Finding No. 3

Management concurs with this finding. Management has adopted procedures to ensure that the finance department will discuss significant estimates with the appropriate departments to verify that the underlying assumptions are more accurate and complete.



Status of Prior Year Findings

Nature of Comment	Type of Comment in FY 2007	Current Year Status
Internal Control Weakness in Procurement Process	Significant Deficiency	Corrected in Current Year
Review of Journal Entries	Significant Deficiency	Corrected in Current Year
Misapplication of GASB Pronouncements	Material Weakness	Corrected in Current Year



BDO Seidman, LLP
Accountants and Consultants

1250 Connecticut Avenue NW, Suite 200
Washington, D.C. 20036
Telephone: (202) 261-3565
Fax: (202) 261-3563

February 25, 2009

Board of Trustees and Management
University of the District of Columbia
4200 Connecticut Avenue, N.W.
Washington, D.C.

In planning and performing our audit of the financial statements of the **University of the District of Columbia** (the University) as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control. We believe that the deficiency described in our separate report dated February 25, 2009 to be a material weakness.

* * *

We have prepared the following suggestions for improvements in the University's internal control that that we did not consider to be significant deficiencies or material weaknesses.



Board of Trustees and Management
University of District of Columbia
Page 2

Information Systems Recommendations

Our audit procedures included an assessment of the controls over the University's information systems. Control deficiencies in the University's computer system were noted as follows:

Access to Programs and Data

- a. A formally documented change management methodology applicable to the SONIS application does not exist. There is no evidence to document that testing was conducted and approved. In addition, evidence does not exist to document the approval by the Dean of the Law School to promote changes to the SONIS production environment.
- b. The SIS Plus application password length and complexity are not configurable. In addition, individual user passwords are stored in clear text and visible to the application administrator, resulting in a security risk.
- c. The password parameters for the SONIS application are limited. Specifically, user passwords for the SONIS application have not been configured to expire. In addition, an account lockout policy does not exist.
- d. SONIS user passwords are stored in clear text allowing the administrator to view the passwords.
- e. Based on the review of selected user profiles, it was determined that the password minimum length restriction of six characters is not consistently enabled for all users.
- f. There is no monitoring of unauthorized access attempts on the application (SONIS and SIS Plus), Windows operating system and network infrastructure (firewall) levels.

Registration and Revenue

The office of the Vice President of Security enters into parking contracts with third parties, who are responsible for the collection of cash receipts related to these contracts. The parking fee reconciliation is prepared by the Senior Accountant. We noted that there does not appear to be adequate controls to detect whether parking cash receipts generated from daily parking fees are complete and accurate.

Our IT team tested the controls around access to programs and data and in the area of registration and revenues and noted the above exception. The above finding indicate that management has not adequately assessed the risks associated with unauthorized access to the University's computer systems and databases. Unauthorized access to the University's computer systems and lack of segregation of duties over the revenue streams increases the risk of fraud.

Recommendation

We recommend that management consider implementing our recommendations. The costs of the recommendations are minimal compared to the additional control over the University's information systems.



Board of Trustees and Management
University of District of Columbia
Page 3

Management Response

A. Management concurs with the finding.

The Law School does not currently maintain a formal, written policy that governs the use of, and changes made to, the SonisWeb SIS. Shelley Broderick, the Dean of the Law School, is involved in the final decisions adopted for the Law School SIS. The Dean has granted authority and direct responsibility to the two Associate Deans of the Law School as well as the Network Administrator of the Law School. Requests for administrative changes to the SIS system would normally be directed to Janice Washington, the Associate Dean of Administration and Finance. If Dean Washington approves of the change, after consultation with the Dean, she would then notify the Network Administrator (who is the Master Administrator within SonisWeb) via email and the Network Administrator would implement the requested change.

The Migration to the new SonisWeb platform began in June of 2008. The upgrade has been handled in several phases, the last of which is still ongoing (this covers the annual importation of admissions records from the Law School Admissions Council into our SIS system). System design and testing as well as data validation occurred throughout the Summer and early fall of 2008. Approval of the system design and its implementation are the responsibility of the Law School Network Administrator.

B. Management Concur With the Finding.

Management concurs. The University of the District of Columbia is in the process of acquiring a new server based system called "Banner" to replace the SIS plus. The new system will prevent the noted control deficiency.

C. Management Does Not Concur With the Finding

SonisWeb has enhanced security features that were not previously available in Sonis Windows. We now implement a lockout policy (after five failed attempts) that requires an account reset if a lockout actually occurs. Password length and expiration periods are both options in SonisWeb. We do not require PIN changes, and allow a password length of between 3 and 6 characters, on non-administrative accounts. We have a minimum password length (6 characters) and an expiration period (60 days) that governs Administrative accounts. Standard user accounts use a PIN number, while Administrative accounts use a password.

D. Management Does Not Concur With the Finding

Passwords in SonisWeb are currently stored in clear text and viewable only by the Master Administrator of SonisWeb. We can inquire of RJM whether this deficiency can be addressed if requested by the University.

E. Management Does Not Concur With the Finding

We currently require a 6 character password length of Administrative users. We require a PIN length of between 3 and 6 characters for all other users.



Board of Trustees and Management
University of District of Columbia
Page 4

F. Management Does Not Concur With the Finding

The SonisWeb application is capable of tracking login and logout attempts. The system also logs student enrollment and withdrawal from courses, the posting of grades, and the changing of biographical information.

Inadequate Analysis and Follow Up on Accounts and Loans Receivables

The student accounts and loans receivables (the receivables) are comprised of amounts due primarily from students of the University. There appears to be no detailed analysis of these accounts, especially delinquent accounts. There also generally appears to be inadequate analysis over recoverability and inadequate procedures for recovery of these amounts.

This function of administrating and collecting the receivables is outsourced to third party collection agencies.

The student accounts and loans receivables are created when students are registered for classes and then loans are given. We noted that an allowance for bad debts is established to offset the receivables in those situations when the receivables are deemed uncollectible or will be difficult to collect. The receivable balance has increased significantly in the past few years, and collections of these amounts have been decreasing. The net financial statement balance has remained low, since the allowance for doubtful accounts has increased. As receivables start aging progressively, the likelihood of collection decreases, which will cause the University to suffer actual losses on those receivables.

We understand that the University is aware of the problem in this area, and is planning suitable steps to address the issue.

Recommendation

Although the University outsources the administration and collection of the receivables, management should consider whether the service providers are performing an adequate job of collecting the receivables. We recommend the University renegotiate the scope and terms of the contract with the outsourced parties to ensure that they are focused on actual collections of the outstanding amounts.

In addition, the increase in delinquent loans indicates that the University should reassess the loan criteria to increase the likelihood that the University will be able to collect the amount due from the loan holder. Uncollectible loans decrease the University's pool of funds from which to grant future loans.

Finally, the University should ensure that loans receivable and the corresponding allowance balance are properly reviewed to ensure the proper valuation and completeness.



Board of Trustees and Management
University of District of Columbia
Page 5

Management Response

Management concurs with this finding. The University reviewed the collection performance of the third party administrator (TPA). This review led to the University's employment of a Director of Student Accounts late in the fiscal year 2008. The Director of Student Accounts amongst other things was assigned to effectively monitor the TPA's performance and collections with a view to having a significant improvement in fiscal year 2009. Also, staff members attended a conference sponsored by the TPA and networked with other companies and universities using the services of the TPA to gain insight of techniques used in monitoring the TPA's performance.

During fiscal year 2009, the efficiency of the TPA's new program will be assessed and other vendors with better proven programs for collection may be considered.

With respect to assessing the loan criteria, the University does not set the criteria for the loans. The student applies directly to the Department of Education for a Perkins Loans and approved based their established criteria. A policy has been established that requires the review of all loans receivable and the corresponding allowable balances on a monthly basis beginning in February 2009, by senior level accounting personnel to ensure the accuracy and completeness.

Effectiveness of Internal Audit Function

The University employs one full-time internal auditor. During our audit, we inquired of the internal auditor about type of audits and investigations that were conducted during the fiscal year 2008.

Based on our inquiry, we noted that the internal auditor spent time assisting the President and Sr. Vice President of Management on implementation of PeopleSoft and negotiating a contract with Sun Guard. Time was also spent coordinating the Comprehensive Assessment of University's programs, assisting on Book Store's Contract specifications, assisting the Interim Athletic Director, and reviewing employee complaints.

As noted above, the internal auditor appears to have performed less auditing and more managerial work. This illustrates that the University's internal audit function lacks effectiveness.

Focusing less on audit work by the internal auditor could jeopardize the University's overall objective to provide management with information as to the effectiveness of established policies and controls and the extent to which they are being implemented. It also can greatly expose the University to the risk of failure to prevent and detect fraud, waste, and misappropriation of its assets which is the primary purpose of internal audit.



Board of Trustees and Management
University of District of Columbia
Page 6

Recommendation

We recommend that management take appropriate steps to ensure that the internal auditor strictly work on audit related projects. The internal auditor should submit periodic progress reports on audits performed by the internal auditor as well as the audit findings and recommendations for improvement to the finance committee. Improved effectiveness of internal audit would furnish management with greater assurance as to the validity of accounting and other data and a continuous appraisal of the efficiency and adequacy of prescribed procedures.

Management Response

Management concurs with the finding.

In an ideal situation the internal auditor should be conducting audits to provide assurance that established polices and controls were effective. However, critical operational and financial issues and concerns that cropped up throughout the year including for example those associated with implementation of a new payroll and health benefit systems (where several employees failed to get paid and others had their health benefits dropped including employees with critical ailments) forced upper management to decide to focus all its attention and efforts, and those of the internal auditor, to drill down to the causes of the issues, problems and concerns to find solutions that worked. Upper management felt a lot could be accomplished by convening daily working meetings with interested parties, experts, programs, departments, finance and human resource personnel, in SWAT team scenarios, as appropriate, to address causes of problems and find solutions to get people paid immediately, dropped health benefits restored, concerns expressed by students, faculty and staff resolved, University services restored and or vendors paid, as the case may be.

Specifically, upper management decided that the University would be better served by having the internal auditor serve on the SWAT teams to resolve problems and to put in processes and controls to address those critical issues, and provide assistance and temporary program oversight, where needed to keep the University's name from the newspapers, satisfy oversight bodies, and at the same time resolve some of the same policy and control issues, (sans written reports) that audits conducted by the internal auditor may have revealed.

Compliance with Investment Policy

During our audit of the investment portfolio of the University as of September 30, 2008, we noted certain discrepancies between the actual allocation of investments and the established investment policies adopted by the Board of Trustees described in the University's Endowment Investment Policy.



Board of Trustees and Management
University of District of Columbia
Page 7

The policy prescribes certain allocation limits for the maximum and minimum percentage of the endowment that can be invested in different asset classes. At year end, we noted three exceptions to this policy with both investment managers having instances of not adhering to the limits. We also noted that it is difficult to compare the current allocation with the investment policy using the current statements.

The purpose of the investment policy is to set forth the overall investment philosophy of the University as decided by its governing board and should be adhered to by the investment managers.

Recommendation

We suggest that the University take steps to inform their investment managers of these discrepancies and that the investment policy is to be followed as stated. A copy of the investment policy should be provided to the investment manager with written correspondence of these matters. An investment policy is a very effective means of protecting the assets of the University, and we suggest that a procedure be implemented to be certain that it is followed. We also suggest management require investment managers to show that the current investment allocation is in compliance with the investment policy.

Management Response

Management concurs with the finding.

Management will implement the auditors' recommendations. We will prepare a monthly analysis of the investment statements detailing how it complies with the established investment spending policy. Management will notify the Investment Company as soon as it notices deviations from the policy.

The University's written responses to the suggestions for improvements identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

* * *

This communication is intended solely for the information and use of the Board of Trustees, and management of the University, the Mayor of the Government of the District of Columbia, the Council, and the Inspector General of the District of Columbia and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation from your staff that our personnel received during the audit of the University's financial statements.

Very truly yours,

BDO Seidman, LLP