GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL

UNIVERSITY OF THE DISTRICT OF COLUMBIA

Management Letter Report for the Year Ended September 30, 2012

CHARLES J. WILLOUGHBY
INSPECTOR GENERAL

OIG No. 13-1-07GG(b) **May 31, 2013**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General

May 31, 2013

The Honorable Vincent C. Gray
Mayor
District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Gray and Chairman Mendelson:

In connection with the audit of the District of Columbia's (the District) general purpose financial statements for fiscal year (FY) 2012, KPMG LLP (KPMG) submitted the enclosed management letter report for the University of the District of Columbia (UDC)for FY 2012 (OIG No. 13-1-07GG(b)). This report sets forth KPMG's comments and recommendations to improve internal control or result in other operating efficiencies, which are summarized in Exhibit I of the enclosed report.

KPMG identified certain matters involving internal control and other operational matters, and presented them to management for consideration. Management's responses to those matters presented are included in this final report.

If you have questions or need additional information, please contact Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Charles J. Willoughby
Inspector General

CJW/ws

Enclosure

cc: See Distribution List

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

January 31, 2013

Audit Committee
University of the District of Columbia
Washington, District of Columbia

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of University of District of Columbia (the University), as of and for the years ended September 30, 2012 and 2011, 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.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as in Exhibit I.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the University's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of management, the Audit Committee, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

UNIVERSITY OF THE DISTRICT OF COLUMBIA

2012 Comment and Recommendation from KPMG

Timesheet Approval and Termination Documentation

During our test work over timely termination of employees we noted:

- For two of 40 samples selected, the University was unable to provide documentation (SF-52 or termination letter) supporting the employee's termination date in PeopleSoft.
- For one of 40 samples selected, the University erroneously paid a former employee for two pay periods, totaling $7,033, subsequent to the termination effective date of August 31. Although the University subsequently identified the error and recovered one payment, $3,533 remains unrecovered.

During our test work over timesheet review and approval we noted:

- For six of 110 samples selected, the timesheet was not signed indicating review and approval by the employee's supervisor prior to payment.
- For one of 110 samples selected, the University was unable to provide documentation (the request for leave or approved absence form) for the sick leave used by the employee during the pay period.

We recommend the University continue to implement and refine policies and procedures related to the review and approval of timesheets and the processing of termination actions.

Management's Response

The University has implemented eTime for all of its employees with the exception of Adjunct Professors, effective November 1, 2012. With this automation all employees are required to report their hours worked and/or absences according to policy and procedures based on their pay group assignments. With this automation managers are now accountable for approving their employees' time and attendance in lieu of the Office of Pay Services. As managers review their employees in the system, they will now be able to quality check whether or not their employees are active or inactive. The University has also established a Manager's training and distribution list to maintain an open line of communication with the Managers to ensure they understand our policies and procedures as it relates to hires and terminations. The University expects to have the SF52 process automated by the summer of 2013. This change will drastically reduce the possibility of errors.

Year-end Expense Cut-off

During our testwork over non-payroll expenses and capital asset additions, we noted the following related to year-end cut-off:

- For four of 86 non-payroll expense samples selected, the invoices related to goods or services received or partially received in fiscal year 2011; however, the amounts were improperly expensed in fiscal year 2012. These expenses should have been accrued at September 30, 2011. Specifically, these errors resulted in a net overstatement of expenses of $190,747 in fiscal year 2012 and an understatement of expenses and accounts payable at September 30, 2011.
- For one of 41 capital asset additions samples selected, we noted a $512,724 addition for work performed in fiscal year 2011 was improperly capitalized in fiscal year 2012.

We recommend the University continue to implement and refine policies and procedures to ensure all expenses are recorded in the correct accounting period.

UNIVERSITY OF THE DISTRICT OF COLUMBIA

2012 Comment and Recommendation from KPMG

Management's Response

Management acknowledged that these expenses were not accrued at the end of the fiscal year. However, despite all the reminders to program managers to close all outstanding purchase orders or provide invoices for accrual, a few did not comply with this recommendation by 9/30/2011. Payment was processed once it was determined that these were genuine liability to the University. In the future, management will start the year end information sessions earlier and make them mandatory for program stakeholders to attend in order to get a complete accrual list.

Compliance with Quick Payment Act

During our test work over compliance with the District of Columbia Quick Payment Act of 1984, we noted for three of 65 samples selected, the invoice was paid between 1 to 18 months after the invoice due date. In addition, the University did not pay interest on the invoice amount to the vendors. The total interest to be paid to vendors was $574. We recommend the University reinforce the importance of paying invoices within the required due dates and develop and implement policies and procedures to ensure interest is appropriately added to the amount paid to the vendor for late invoices.

Management's Response

Management will increase stakeholders/program representatives' participation in the invoicing process by holding quarterly procurement and invoicing training. Also, management will increase the frequency of communication and reminders to the university community with regards to invoice submission to the accounts payable department once services and products are received and verified.

Grant and Contract Accounting

During our test work over grant and contract revenue, we noted that for one of the 75 samples tested, the University recorded revenue in excess of the grant agreement award limit. The Perkins Career and Technical Education (CTE) Post-Secondary Grant had an award limit of $717,360; however, the University recognized $722,682 of revenue in fiscal year 2012. The revenue recognized exceeded the award limit by $5,322.

During our test work over grant receivables, we noted the following:

- For one of 11 samples tested, we were unable to recalculate the ending grant receivable balance as recorded in the general ledger. We determined the ending balance to be overstated by $126,902.
- For two of 11 samples tested, we were unable to recalculate the ending grant receivable balances as recorded in the general ledger. We determined the ending balances to be understated by$181,023 and $147,270, respectively, resulting in a total understatement of $328,293.

We recommend management establish and refine existing policies and procedures to ensure grant activity is properly recorded in the general ledger.

Management's Response

Management has already put in place more stringent controls than the existing ones to monitor all grant receivable transactions that include more supervisory review of transactions prior to posting. Management will also design and implement an additional internal control procedure that will include one more layer of supervisory review to ensure that grant expenses and the associated revenues recognized do not exceed the grant award amount.