Wright State University

Report to the Finance, Audit and Infrastructure Committee

November 6, 2017

Results of the 2017 financial statement audit, internal control matters and other required communications

BKD LLP
CPAs & Advisors

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2017 Audit Results

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BKD LLP
CPAs & Advisors

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November 6, 2017

Finance, Audit and Infrastructure Committee
Wright State University
Dayton, Ohio

Dear Finance, Audit and Infrastructure Committee:

We have completed our audit of the financial statements of Wright State University (the University) as of and for the year ended June 30, 2017. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the University. Specifically, auditing standards require us to:

- Express an opinion on the June 30, 2017 financial statements and supplementary information of the University.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Uniform Guidance.
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management's financial reporting and disclosure process.

This report also presents an overview of areas of audit emphasis, as well as future GASB standards and other observations as a result of our audit.

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

Very truly yours,

James E. Creeden, Jr.

James E. Creeden, Jr., CPA
Partner

Summary of Our Audit Approach & Results

Our Approach

BKD's audit approach focuses on areas of higher risk—the unique characteristics of the University's operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
Management override of controls – The risk that management may override existing and functioning accounting controls is an inherent risk to the University.	BKD performed the following procedures relevant to this risk area: • Reviewed accounting estimates for bias • Tested journal entries • Evaluated business rationale for unusual transactions ➲ No matters are reportable.
Improper revenue recognition – The risk that revenue is improperly categorized or recorded in an improper period.	BKD performed the following procedures relevant to this risk area: • Performed tuition revenue reasonableness test • Vouched certain significant revenues to support ➲ No matters are reportable.
Valuation of accounts receivable – The assumptions and methods used by management to value the allowance of accounts receivable.	BKD performed the following procedures relevant to this risk area: • Reviewed and recalculated management's calculation of allowances • Performed analytical tests on allowances for unusual trends and collection issues • Reviewed subsequent collections on certain accounts receivable ➲ No matters are reportable.

Risk Area	Results
Net pension liability – The assumptions used by management to value the total liability and the risk that net pension liability, pension expense deferred inflows and outflows of resources are properly recorded or disclosed in the financial statements.	BKD performed the following procedures relevant to this risk area: • Reviewed and recalculated management's calculation of the liability and related deferred inflows and outflows of resources and expenses • Vouched inputs to pension plan audit reports • Reviewed disclosures for compliance with accounting standards and consistency with pension plan documents ➲ No matters are reportable.
Student financial aid compliance	BKD performed testing of the Student Financial Aid Cluster as required by OMB Uniform Guidance. ➲ A finding of noncompliance and significant deficiency in internal controls over compliance was noted related to the timely and accurate reporting of student status changes to the National Student Loan Data System (NSLDS).
Related parties	BKD performed the following procedures relevant to this risk area: • Read board and committee minutes and interviewed personnel to identify related parties • Obtained and reviewed management's analysis of component unit determination ➲ A material weakness in internal control over financial reporting was identified related to the review and determination of component units. ➲ An audit adjustment to increase payables due to Wright State Applied Research Corporation by $332,578 was recorded.

Opinion

Unmodified, or "Clean," Opinion Issued on Financial Statements

We have issued an unmodified opinion as to whether the financial statements of the University, as of and for the year ended June 30, 2017, are fairly presented, in all material respects.

Requirements Under OMB Uniform Guidance

Our audit included reporting on major federal award programs and includes:

- Schedule of Expenditures of Federal Awards
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*
- Report on Compliance for Each Major Program and on Internal Control Over Compliance
- Schedule of Findings and Questioned Costs
- Data Collection Form

Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

Auditor's Responsibility Under 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 and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed 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 and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
Significant Accounting Policies Significant accounting policies are described in Note 1 of the financial statements.	➲ No matters are reportable.
Alternative Accounting Treatments	➲ No matters are reportable.
Management Judgments & Accounting Estimates Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.	• Allowance for uncollectible accounts receivable • Net pension liability • Department of Education program review liability • Functional expense allocation
Financial Statement Disclosures The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.	• Pension and postretirement plans • Commitments and contingencies

Area	Comments
Audit Adjustments During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated. One adjustment proposed was not recorded because the effect is not currently material; however, it involves an area in which adjustments in the future could be material, individually or in the aggregate.	Proposed Audit Adjustments Recorded: ➲ Reclassification of restricted cash and cash equivalents from current to noncurrent ➲ Increase of payables due to Wright State Applied Research Corporation of $332,578 Proposed Audit Adjustments Not Recorded ➲ The appendix contains a summary of the uncorrected misstatement we noted during the current engagement and pertaining to the latest period presented that was determined by management to be immaterial to the financial statements taken as a whole.
Auditor's Judgments About the Quality of the University's Accounting Policies	➲ No matters are reportable.

Area	Comments
Significant Issues Discussed With Management	
During the Audit Process During the audit process, issues were discussed or were the subject of correspondence with management and are listed in the adjacent comments section.	➲ Component unit determinations for affiliated entities in accordance with GASB 61 ➲ Accounting and disclosure of transactions with related parties and affiliates ➲ Accounting and disclosure of liabilities associated with the Department of Education's program review of the University's administration of Title IV programs ➲ Accounting and disclosure of potential financial statement impacts of on-going government agency investigations of the University and its affiliates ➲ Accounting and disclosure for transactions with Miami Valley Research Foundation ➲ Accounting and disclosure of service concession arrangements ➲ Evaluation of the University's ability to continue as a going concern ➲ Consideration of classification errors in prior year statement of net position related to unspent bond proceeds ➲ Evaluation of internal control and compliance audit findings in testing of Student Financial Aid programs under the Uniform Guidance

Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter (Appendix)

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the University as of and for the year ended June 30, 2017, 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, 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

Deficiency – 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 of the University's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material Weakness – A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Significant Deficiency – A deficiency, or 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.

We observed the following matters that we consider to be deficiencies and a material weakness.

Material Weakness

Component Units

We noted the University does not have documented evaluations (or continued re-evaluations) of its potential component units with respect to GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. We recommend management implement a process to identify and document all potential component units, as well as evaluate and document its determination of component unit status as either a blended or discretely presented component unit. This process should be completed at least annually as triggering events may change a previously determined conclusion including changes to affiliation agreements, by-laws, board composition or other factors.

Management's Response – University management agrees a more formal, documented evaluation of potential component units with respect to the GASB statements mentioned is warranted. Although reviews of potential component units have been done in prior years, the process was not formally documented.

During FY17, the Board of Trustees, partnering with the University Director of Compliance, created an Affiliated Entities Policy (AEP) and defined the processes for determining an affiliated entity, evaluating the entity's alignment with the University's strategic vision and future objectives and the methodology for the University to monitor the entity's compliance with the policy. In addition, a preliminary list of potential component units was created.

The AEP broadly establishes a framework within which the affiliated entities shall operate to support the University's mission and aims at mitigating financial, legal or other risks to the University while still fulfilling their own missions. The AEP includes provisions related to the definition and creation of affiliated entities; guiding principles for affiliated entities; and University oversight of the affiliated entities. Affiliated entities will enter into a memorandum of agreement which will, among other things, require the affiliated entities to submit an annual report to the University and the Board of Trustees, which will include materials such as financial statements and footnotes; tax filings (e.g. 990 or 1120); annual budget reports; list of current directors and officers; etc. The affiliated entity reviews were initiated during FY17 and will continue during FY18 and subsequent years.

As part of the FY17 audit, the Office of the Controller collaborated with the Director of Compliance and the Office of General Counsel to review potential component units using information and documentation provided by the affiliated entities and obtained via public sources (such as the entities' websites, GuideStar and the Ohio Secretary of State business search function). Formal write-ups related to the evaluation of each potential were created for permanent retention and as a basis for future, annual reviews. The Office of the Controller will create a list of entities to be reviewed and updated each fiscal year with a log indicating the date of the most recent review. Furthermore, the Office of the Controller will request the Director of Compliance and Office of General Counsel provide any updates related to known changes in affiliated entity agreements, by-laws, boar composition, etc.

Deficiencies

General Ledger Account Reconciliation and Journal Entry Review

Currently, there is no review of certain general ledger account reconciliations nor review of certain journal entries on a monthly basis. We recommend management implement a process to review all general ledger account reconciliations and journal entries on a monthly basis as a control procedure to help ensure the financial integrity of the monthly and year-end financial statements.

Management's Response – Although the Office of the Controller does have processes in place that mitigate some of this risk, University management agrees increased reconciliations of general ledger accounts and review of journal entries is prudent. We will review the current chart of accounts and the access of individuals to create and approve journal entries to determine the most efficient way to approach this with the resources available. Initial thoughts as to improvements that might be possible include a review of the chart of accounts to close inactive funds; increasing the nightly system queries done to review for, and highlight, unexpected balances and account activity; and increasing the creation of draft statements throughout the fiscal year to review account balances and variances, etc.

Classification of Restricted Cash and Cash Equivalents

We noted the University had not been properly classifying cash and cash equivalents restricted for capital purchases on the statement of net position as a noncurrent asset. Management corrected this error when it was brought to their attention. We recommend management implement a process to ensure balances are properly classified on the statement of net position.

Management's Response – Although the Office of the Controller does have a process for reviewing balances for proper classification of items on the statement of net position, University management agrees the restricted cash balance was incorrectly classified in prior years. In previous years, the University has reported the unspent bond processed as both current and noncurrent, restricted cash and restricted investments, depending on the assets held at the end of the fiscal year. This presentation was included in previous audits and financial statements and the University did not receive feedback indicating it was incorrect. After learning the previous classification and presentation was incorrect, the balances for fiscal years ended June 30, 2017 and 2016 were reclassified. This reclassification had no impact on the change in net position.

Testing IT Changes

In reviewing the Information Technology General Controls, we noted no testing is formally documented before changes are applied to the production environment. If changes are not appropriately tested and documented, a change could be implemented into production that does not function correctly or would otherwise break the system. This could cause issues that negatively impact the system functionality and availability. We suggest documenting the review of the testing phase.

Management's Response – One of the phases of the current CaTS ITSM project is to create a change management process and use ServiceNow as a way to manage the process. This will formalize the process for tracking and approving changes in the production environment. Key milestones include a limited pilot starting in December 2017 and a full roll-out completed by June 2018. Testing of the change is a key criteria to be considered during the change review process.

Monitoring Changes

In reviewing the Information Technology General Controls, we noted no active monitoring control in place for the change management process. This increases the risk of unauthorized changes to be implemented into production that negatively impact system functionality and availability. We recommend implementing an active monitoring control for the change management process.

Management's Response – One of the phases of the current CaTS ITSM project is to create a change management process and use ServiceNow as a way to manage the process. This will formalize the process for tracking and approving changes in the production environment. Key milestones include a limited pilot starting in December 2017 and a full roll-out completed by June 2018. The process will include a Change Advisory Board, which will meet to review changes and ServiceNow will facilitate the process by containing the list of change requests.

Segregation of Incompatible Duties

In reviewing the Information Technology General Controls, we noted that developers are responsible for moving their own changes into the production environment. This could create the risk of unauthorized changes being implemented into production that negatively impact system functionality and availability. During testing, we noted developer access to move changes to the production environment is restricted until an approved change is ready to be moved to production. After the developer moves the change, the access is then revoked. We recommend separations of duties with regard to moving changes into the production environment.

Management's Response – The application development teams will be assessing the use of continuous integration tools to automate code delivery. This, in conjunction with a change management process, will support the segregation of duties and reduce the number of resources with production access. A target of spring 2018 has been established, however, attrition and staffing restrictions may cause this target to slip to the latter half of 2018.

Internal Control Over Compliance

In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

Deficiency – A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

Material Weakness – A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Significant Deficiency – A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matter that we consider to be a significant deficiency.

Significant Deficiency

Refer to the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.

Other Matters

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. 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 and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

Password Settings

In reviewing the Information Technology General Controls, we noted the network password is set to lockout after 50 login failures. The risk of unauthorized access to the system increases the higher the login failures are allowed. BKD recommends shortening the lockout attempts to a smaller number to reduce the risk of unauthorized access.

Management's Response – The lockout parameter for Active Directory and AuthLDAP have been synced to the value described by our policy (9 tries). This was made effective September 2017.

Lease Arrangements With Wright State University Foundation and Wright State Applied Research Corporation

Wright State University leases space from Wright State University Foundation and Wright State Applied Research Corporation. However, there are currently no formal written lease agreements in place. To assure agreement of terms, including payment of rents and other charges, we recommend that a formal written lease agreement be considered.

Management's Response – University management agrees formal, written lease agreements would reduce the possibility of confusion related to terms of the agreements and will consider pursuing these agreements.

Understanding Program Costs and Margins

Although the traditional residential undergraduate college experience has been proven to be very effective, the cost of providing live instructions, advising and related education continues to rise. Due to increased competition and declining demographics in many places, net tuition and other funding sources are flat or in decline.

As a result, many institutions are implementing key strategies designed to identify ways to improve financial sustainability. An essential step in this process is understanding the costs and revenues associated with existing academic programs at the course and program level. Identifying which programs provide the greatest contribution margin to the institution and which programs are lagging financially is critical in the information gathering process needed to make good decisions regarding academic offerings, enrollment strategies and resource allocation. Many institutions have done several rounds of cost reduction, but have not yet worked on academic programs. This is likely due to a lack of good information.

BKD has developed a sophisticated modeling tool to assist institutions with understanding program revenues, costs and financial contribution margins. Our interactive margin analysis tool provides a visual analysis of the financial contribution and margin at various levels of detail for the institution. If you are interested in learning more about this service, please contact your BKD Advisor.

New SFA Compliance Requirements Related to Data Security

To protect student information, colleges and universities are required to comply with the Safeguards Rule of the Gramm-Leach-Bliley Act (GLBA). While the GLBA primarily regulates financial institutions, higher education institutions are also required to adhere to certain components of the Act due to the large volume of lending activity that flows through the institution.

Recently, the Department of Education (DOE) has proposed adding a GLBA compliance check to the audit requirements for the Student Financial Assistance Cluster in the 2018 OMB Compliance Supplement. Subsequently, NACUBO reached out to the DOE regarding the proposed requirement. Based on those discussions, NACUBO is recommending institutions evaluate their current compliance with the Safeguards Rule, and offers these suggestions:

- Designate an employee or employees to coordinate the information security program
- Identify reasonable, foreseeable internal and external risks to the security, confidentiality and integrity of customer information that could result in the unauthorized disclosure, misuse, destruction or other compromise of such information and assess the sufficiency of any safeguards in place to control these risks
- At a minimum, such a risk assessment should include consideration of risks in each of the following operational areas:
  - Employee training and management
  - Information systems, including network and software design as well as information processing
  - Storage, transmission and disposal, and
  - Detecting, preventing and responding to attacks, intrusions or other systems failures

- Design and implement information safeguards to control the risks identified through risk assessment and regularly test or monitor the effectiveness of the safeguards' key controls, systems and procedures
- Oversee service providers by taking steps to select and retain providers that are capable of maintaining appropriate safeguards for customer information
- Contractually require service providers to implement and maintain such safeguards
- Periodically evaluate and adjust the information security program, based on the results of the testing and monitoring mentioned above, any material changes to operations or any other circumstances that are known to have or that may have a material impact on the information security program

We will make you aware of any updates to the proposed requirement as more information becomes available.

Future GASB Pronouncements

Pronouncement	Effective Date – WSU fiscal year
GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	2018
GASB 81, *Irrevocable Split-Interest Agreements*	2018
GASB 83, *Certain Asset Retirement Obligations*	2019
GASB 84, *Fiduciary Activities*	2020
GASB 86, *Certain Debt Extinguishment Issues*	2018
GASB 87, *Leases*	2021

Management's written responses to the material weakness, significant deficiency, deficiencies and other matters 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 management, the Finance, Audit and Infrastructure Committee, the Board of Trustees and others within the University and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

November 6, 2017

Appendix

WRIGHT STATE
UNIVERSITY

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Business and Finance and
Chief Financial Officer
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November 6, 2017

BKD, LLP
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We are providing this letter in connection with your audit of our financial statements as of and for the year ended June 30, 2017 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended June 30, 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud. We confirm we are also responsible for the Ohio Office of Budget and Management State of Ohio's College and University Financial Reporting Package (Reporting Package) which includes the Statement of Net Position and Statement of Activities for the University relative to the State of Ohio Basic Financial Statements as of June 30, 2017, and for the year then ended.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated May 18, 2017, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

   We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of meetings of the governing body held through the date of this letter.

   (e) All significant contracts and grants.

4. All transactions have been recorded in the accounting records and are reflected in the financial statements.

5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net position.

6. We believe the effects of the uncorrected financial statement misstatement noted in the attached schedule are immaterial, to the financial statements taken as a whole.

7. We have no knowledge of any known or suspected:

   (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

   (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, customers, regulators, suppliers or others.

9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party

relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. Specifically, we have evaluated and concluded that the Wright State University Foundation, Inc. and Wright State Applied Research Corporation are the only entities that meet the criteria of a component unit in accordance with GASB standards. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

10. We have evaluated all significant third party contracts for potential service concession arrangement treatment in accordance with GASB standards and have concluded there are none.

11. Except as reflected in the financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial statements.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Restrictions on cash balances or compensating balance agreements.

    (g) Guarantees, whether written or oral, under which the University is contingently liable.

12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

13. We have no reason to believe the University owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

15. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables.

    (b) Reducing obsolete or excess inventories to estimated net realizable value.

    (c) Sales commitments, including those unable to be fulfilled.

    (d) Purchase commitments in excess of normal requirements or above prevailing market prices.

16. Except as disclosed in the financial statements, we have:

    (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

    (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

17. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

18. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

19. With regard to deposit and investment activities:

    (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.

    (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

    (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

20. With respect to any nonattest services you have provided us during the year,

    (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

    (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

    (d) We have evaluated the adequacy of the services performed and any findings that resulted.

21. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

22. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

23. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

24. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.

25. We have a process to track the status of audit findings and recommendations.

26. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

27. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

28. With regard to federal awards programs:

(a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.

(b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance (or availability) of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.

(c) We are responsible for complying, and have complied, with the requirements of Uniform Guidance.

(d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the University has complied with all applicable compliance requirements.

(e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards.

(f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.

(g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.

(h) The costs charged to federal awards are in accordance with applicable cost principles.

(i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.

(j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.

(k) We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.

(l) We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.

(m) We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.

(n) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.

(o) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.

(p) Except as described in the schedule of findings and questioned costs, we are in agreement with the findings contained therein and our views regarding any disagreements with such findings are consistent, as of the date of this letter, with the description thereof in that schedule.

(q) We are responsible for taking corrective action on any audit findings and have developed a corrective action plan that meets the requirements of Uniform Guidance.

(r) The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.

(s) The reporting package does not contain any protected personally identifiable information.

29. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

30. The amount accrued related to the Department of Education program review is our current and best estimate of our potential liability related to these findings.

31. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

32. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, and pension information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

33. With regard to supplementary information:

(a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

(b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

(c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

(d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

(e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

34. We acknowledge the current protracted economic decline continues to present difficult circumstances and challenges for the higher education industry. Colleges and universities are facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for receivables, etc. that could negatively impact the University's ability to meet state covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the University's financial statements. Further, management and the Board are solely responsible for all aspects of managing the University, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

35. We have considered all applicable conditions that are known and reasonably knowable as of the date of this letter for the purposes of performing management's going concern assessment.

P. Jeffrey Ullman

P. Jeffrey Ullman, Vice President for Business and Finance

Tina Heigel

Tina Heigel, University Controller

Amy M. Barnhart

Amy M. Barnhart, Assistant Vice President of Enrollment Management & Director of Financial Aid

Wright State University

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Business Type Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	71,326,673		71,326,673	
Non-Current Assets & Deferred Outflows	467,309,953		467,309,953	
Current Liabilities	(66,462,916)	(166,137)	(66,629,053)	0.25%
Non-Current Liabilities & Deferred Inflows	(434,802,478)		(434,802,478)	
Current Ratio	1.07		1.07	-0.19%

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	538,636,626		538,636,626	
Total Liabilities & Deferred Inflows	(501,265,394)	(166,137)	(501,431,531)	0.03%
Total Net Position	(37,371,232)	166,137	(37,205,095)	-0.44%

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Operating/Net Nonoperating Revenues	(362,516,957)		(362,516,957)	
Operating Expenses	409,647,767	166,137	409,813,904	0.04%
Change in Net Position	47,130,810	166,137	47,296,947	0.35%

Client: Wright State University
Period Ending: June 30, 2017

Governmental Activities (Government-Wide Statements)

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows: *Current* DR (CR)	Assets & Deferred Outflows: *Non-Current* DR (CR)	Liabilities & Deferred Inflows: *Current* DR (CR)	Liabilities & Deferred Inflows: *Non-Current* DR (CR)	Operating/Net Nonoperating Revenues DR (CR)	Operating Expenses DR (CR)	Net Position DR (CR)	Net Effect on Following Year: *Change in Net Position* DR (CR)	Net Effect on Following Year: *Net Position* DR (CR)
To record accrued legal fees		F	0	0	(166,137)	0	0	166,137	0	(166,137)	166,137
	Operating Expenses							166,137		(166,137)	
	Accrued Liabilities				(166,137)						166,137
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
Total passed adjustments			0	0	(166,137)	0	0	166,137	0	(166,137)	166,137

Impact on Change in Net Position	**166,137**
Impact on Net Position	**166,137**