

[Date]

To the Board of Directors
United Academics University of Oregon

We have audited the financial statements of United Academics University of Oregon for the period ended June 30, 2014, and have issued our report thereon dated [Date]. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated [Date]. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by United Academics University of Oregon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the amount of repayment for the alleged non-chargeable portion of a challengers' fee is based on management's estimate of the portion of non-chargeable activities during the year and the number of individuals objecting to the fee. We evaluated the key factors and assumptions used to develop the amount of repayment for the alleged non-chargeable portion of a challengers' fee in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of the amount of repayment for the alleged non-chargeable portion of a challengers' fee in Note 3 and Note 6 to the financial statements as described above and in the financial statement footnotes.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected one of these misstatements detected as a result of audit procedures and determined it was not material, either individually or in the aggregate, to the financial statements taken as a whole. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that its effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the independent auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated [Date of Management Representation Letter].

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of United Academics University of Oregon and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,

Jones & Roth, P.C.
Eugene, Oregon

Management Letter Comments

In planning and performing our audit of the financial statements of United Academic University of Oregon (UAUO) for the year ended June 30, 2014, we considered UAUO's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and financial soundness. The comments that follow summarize our observations and recommendations regarding those matters. This letter does not affect our report dated, November XX 2014, on the financial statements of the UAUO.

We will review the status of these comments during our next audit engagement. We have discussed these comments and recommendations with management. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

2014 Comments and Recommendations:

Observation 2014-1 - Payroll Duties

UAUO's office staff consists of just one person, the Administrative Assistant, who performs all payroll duties, some of which are incompatible. We believe that segregation of duties and, thus, internal control, could be improved if the Board Treasurer were to perform certain payroll duties as additional oversight of the Administrative Assistant. We recommend that payroll duties be divided as follows: Administrative Assistant – record general ledger payroll entries, initiate draft payroll record file to Intuit, provide a copy of the draft payroll record file to the Board Treasurer for approval, submit payroll record to Intuit after approved by Board Treasurer, provide final copy of payroll record file to Board Treasurer. Board Treasurer – review and sign employee time sheets and review and sign the draft payroll record file from the Administrative Assistant, review final payroll record file against draft payroll record monthly and compare it to the bank statements.

Observation 2014-2 - Representation and Affiliation Duties

UAUO's office staff consists of just one person, the Administrative Assistant, who performs all of the activities around representation and affiliation expenses, some of which are incompatible. We believe that segregation of duties and, thus, internal control, could be improved if the Board Treasurer were to perform certain duties as additional oversight of the Administrative Assistant. We recommend that the Board Treasurer review a copy of the spreadsheet used to prepare the dues owed to each affiliate prior to payment, along with a copy of the original spreadsheet received directly from the University before changes are made. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. We recommend that all reconciliations be signed or initialed by the preparer and reviewer so that responsibility can be easily determined.

Observation 2014-3 - Bank Transfers

Currently, transfers of funds between accounts are allowed by the Board Treasurer, the Board President, and the Administrative Assistant. The procedures with the bank should be changed so that the authorization for a transfer is only approved by an approved signer on the bank account. By ensuring that cash transactions are authorized by the appropriate level of UAUO personnel, UAUO will reduce the risk of unauthorized disbursements. Recurring transfers could be set up for recurring payments of like amounts.

Observation 2014-4 - Signed Checks

Currently, once checks are signed by authorized signers, they are returned to the Administrative Assistant for mailing. We believe that segregation of duties and, thus, internal control, could be improved if checks are mailed by authorized signers once they have been signed rather than returning them to the individual who prepares the checks.

Observation 2014-5 – Sublease

During our procedures, we noted that a portion of the office space rented by UAUO is being subleased to another entity, AFT – Oregon. There is no formal sublease agreement in place at this time. We believe that a formal agreement should be created between the two entities to better reflect the agreement that is occurring. If UAUO intends to pass some of the additional administrative costs, such as the Administrative Assistant's salary, copy charges or internet usage on to AFT- Oregon, we recommend UAUO conduct a study of the amount of usage of these items by each entity or find another methodology to reasonably allocate these costs to AFT – Oregon and include that in the agreement.

Prepared by _____
 Reviewed by _____

United Academics of the University of Or
 Potential Adjusting Journal Entries

DRAFT

02222
 Page 1
 10/20/14 05:02 PM

DRAFT

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper	Misstatement
PAJE01	Potential	06/30/14						
		1005 5025	Checking (1662) Conventions and Conferences:AAI	1,922.31	1,922.31			
			To potentially record check written on 6/30/14 in FY14			(1,922.31)	1-3	
		TOTAL		<u>1,922.31</u>	<u>1,922.31</u>	<u>(1,922.31)</u>		