

CHRISTOPHER NEWPORT UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2010**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Christopher Newport University for the year ended June 30, 2010, found:

- the financial statements are presented fairly, in all material respects;
- certain matters involving internal control findings requiring Management's attention; however, we do not consider them to be material weaknesses;
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards;
- the University is in the process of taking corrective action with respect to the previously reported efficiency findings titled "Implement System Functionalities to Increase Efficiencies and Controls", "Automate Deferred Revenue Calculations", and "Automate Holds on Student Accounts"; and
- the University did take adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

We have audited the basic financial statements of Christopher Newport University as of and for the year ended June 30, 2010, and issued our report thereon, dated April 29, 2011. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.cnu.edu.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS	1
FOLLOW-UP ON EFFICIENCY FINDINGS FROM THE PRIOR YEAR	1-2
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	3-5
UNIVERSITY RESPONSE	6
UNIVERSITY OFFICIALS	7

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Continue Improving Information Security Management – Repeat Finding

In our prior year audit we notified management of weaknesses in its administration of the University Oracle database and UNIX operating system that work together to support Banner.

While the staff now logs upgrades and critical patches, and reviews default Oracle and UNIX security settings before putting them into the production environment, the University is not doing the following actions required by the Commonwealth's Information Security Standard, SEC 501, and University policies to safeguard its Oracle database.

- Monitor audit logs and user access.
- Change administrator passwords every 90 days.

By not following its policies for the Oracle environment, the University is placing its information systems at risk for data breach and exposure, loss of availability, and loss of data integrity. We recommend that management provide the necessary resources to monitor and maintain its Oracle database according to the Commonwealth's Information Security Standards.

FOLLOW-UP ON EFFICIENCY FINDINGS FROM THE PRIOR YEAR

To complete and properly implement solutions to some of our prior findings, we recognize will take management some time. Therefore, we are providing a status report on management's implementation of the recommendations.

Implement System Functionalities to Increase Efficiencies and Controls

Implementing an interface between the state's procurement system eVA, and Banner allows institutions to reduce or eliminate duplicate data entry into both systems and further the interface allows the University to take advantage of several automated features in Banner. These features include budget checking for sufficient funds when placing an order and once purchasing places the order, the system automates the matching of purchase orders, receiving reports, and invoices; reducing staff effort to identify and track possible fixed assets; and improve tracking and monitoring of purchase credit cards.

Management is making progress in implementing this interface, and plans to complete implementation July 1, 2011.

Automate Deferred Revenue Calculations

Banner has the ability to automatically calculate deferred revenue for summer school classes; however, the University is manually performing this calculation. In the prior year, we recommended the University use Banner to automate this calculation, allowing the University to forgo performing these calculations manually after collecting revenues. By eliminating these manual calculations, the University would not need to dedicate the staff resources every year to create and verify the entries to correctly report deferred revenues for its summer sessions. Additionally, the system could create the entries as the University collects revenues, thus reducing the time to produce financial statements.

The University is in the middle of automating the deferred revenue calculations in Banner. This process requires their IT department to create reports and change logic in Banner to calculate the amounts through the system. Management plans to implement this change in April 2011.

Automate Holds on Student Accounts

The University should use the automated functions within Banner to place and remove holds on student accounts when balances are past due or collected. If the University uses the automated functions to place and remove holds, it can reduce the amount of staff time used to process these transactions and decrease the risk of human error. Improving this practice and reducing the processing time for these transactions is important for the students, since they cannot access their academic information or register for classes while the hold remains on their account.

The University is still using manual processes to place and remove holds on student accounts. Specifically, the University obtains a listing of student accounts that are past due from the Banner system and then manually applies a hold on each account. Once the University collects the account balance, staff removes the hold using the same manual process. Management plans to implement the automated holds process in the fall of 2011.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 29, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Christopher Newport University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Christopher Newport University** as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 29, 2011. Our report includes a reference to other auditors. 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. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting entitled "Continue Improving Information Security Management – Repeat Finding", which is described in the section titled "Internal Control and Compliance Findings and Recommendations", that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Instances of noncompliance and other matters, entitled "Continue Improving Information Security Management – Repeat Finding" are described in the section titled "Internal Control and Compliance Findings and Recommendations".

The University's response to the findings identified in our audit is included in the section titled "University Response". We did not audit the University's response and, accordingly, we express no opinion on it.

Status of Prior Findings

The University has not taken adequate corrective action with respect to the previously reported findings "Improve Administrative Password Management" and "Improve Information Security Management". Accordingly, we included the unresolved portion of each of these prior findings in the current year finding "Continue Improving Information Security Management" within the section entitled "Internal Control and Compliance Findings and Recommendations". The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not referenced in this report. Additionally, the University is taking adequate corrective action with respect to the audit findings discussed in the section entitled "Follow-Up on Efficiency Findings from the Prior Year".

Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on April 29, 2011.

AUDITOR OF PUBLIC ACCOUNTS

GDS/clj



April 28, 2011

Mr. Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218-1295

Dear Mr. Kucharski,

Christopher Newport University has reviewed the findings and recommendations provided by the Auditor of Public Accounts for fiscal year ended June 30, 2010. The University appreciates the effort the APA auditors put towards the audit this year and has the following responses to the Internal Control and Compliance Matters:

Internal Control and Compliance Matters

Continue Improving Information Security Management – Repeat Finding

Management understands the importance of enhancing and maintaining security management and is committed to ensuring that the integrity of its information systems is safeguarded from data breach and exposure.

Management has been and is continuing to recruit and hire a backup for the DBA which will provide the necessary resources to assist in monitoring the audit logs and user access.

The passwords were changed in the prior year and some were updated periodically but not fully in compliance with standards. Management believes the following changes will provide the necessary prompts for passwords to be changed to meet standards.

A calendar notification will be sent every 90 days to the users of the systems, their supervisors and the Comptroller to prompt the changing of passwords. The Supervisors are to ensure that passwords are changed and a confirmation of the password change noted. Testing of the password change confirmations will be added to the ARMICS review to ensure compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "William L. Brauer".

William L. Brauer
Executive Vice President

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