

CHRISTOPHER NEWPORT UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2012**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Christopher Newport University for the year ended June 30, 2012, found:

- the financial statements are presented fairly, in all material respects;
- a matter involving internal control requiring management's attention; however, we do not consider it to be material weaknesses;
- an instance of noncompliance or other matters required to be reported under Government Auditing Standards; 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, 2012, and issued our report thereon, dated June 6, 2013. Our report, included in the University's basic financial statements, will be available on the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.cnu.edu on or around June 17, 2013.

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AUDIT FINDINGS AND RECOMMENDATIONS

Improve eVA Internal Controls and Compliance

Christopher Newport University (University) did not comply with several requirements contained in the eVA Electronic Procurement System Security Standards (Security Standards) issued by the Department of General Services (DGS) related to internal controls surrounding eVA. The University did not complete the annual audit of eVA user accounts in fiscal year 2012 or the requirement of an annual submission of a Security Officer Designation form. In addition, the University did not perform quarterly monitoring of eVA user account permissions or promptly delete eVA access for terminated employees.

Monitoring Access

The Security Standards requires that eVA Security Officers review all of their organization's eVA accounts on a quarterly basis at a minimum. The purpose of this review is to:

- Determine whether accounts assigned to any eVA users that have a change of responsibilities are appropriately modified.
- Determine whether accounts assigned to eVA users that have left the entity have been terminated (locked out) timely.
- Determine that every active user has a signed acceptable use policy on file.
- Determine if all roles in the eVA approval chain are still active and appropriate.
- Identify and report to the global eVA Security Officer any self-identified violations of the policy and the actions the University plans to implement to prevent further violations.

In addition, by November 1 of each year, the University must submit to the Global eVA Security Officer at DGS a letter certifying that a review of all active accounts has been completed and that all eVA accounts are accurate. Due to the lack of monitoring, we noted the University had not detected several user accounts with no established expenditure limits, which allowed these users to self-approve items up to \$5,000 increasing the chance of improper purchases.

Deactivation of Access

The University also needs to improve its procedures for prompt deletion of eVA access for terminated employees. The Security Standards require all system privileges to be deactivated within 24 hours after an employee's termination. Our review of terminated employees that previously had eVA access found 23 percent of these employees were not deactivated within one working day of separation.

Compliance with these standards is necessary to prevent misuse and possible fraud. eVA is a web based application that is accessible by computer from anywhere; therefore, eVA user IDs must be deactivated promptly in order to keep former employees from accessing the system after their termination. Terminated employees with active eVA accounts could potentially access the system and make unauthorized approvals or purchases.

Recommendation

We recommend the University comply with all of the requirements in the Security Standards regarding certifications, quarterly monitoring, and the annual audit. We also recommend the University document and

implement internal policies and procedures regarding the monitoring and deactivation of eVA access. If necessary, eVA users should seek DGS training to further ensure the proper use and monitoring of eVA.

To ensure deactivation occurs in accordance with DGS guidelines, the supervisors of terminated employees should notify the Office of Procurement via the Employee Resource System (ERS) in a timeframe that is sufficient to ensure deletion of access within 24 hours of termination. To ensure timely notification, we recommend that the supervisors and resource providers in ERS have sufficient training on the system. Supervisor monitoring of ERS should also ensure that the resource provider has promptly removed all of the terminated employee's resources, including access. In addition, once they receive notification, the Office of Procurement should promptly take the steps necessary to delete access of the terminated employee.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 6, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
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, 2012, which collectively comprise the University's basic financial statements and have issued our report thereon dated June 6, 2013. 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

Management of the University is responsible for establishing and maintaining effective 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 deficiency in internal control over financial reporting entitled "Improve eVA Internal Controls and Compliance," which is described in the section titled "Audit 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards. The instance of noncompliance and other matters, entitled "Improve eVA Internal Controls and Compliance" is described in the section titled "Audit 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 taken adequate corrective action with respect to audit findings reported in 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 June 7, 2013.

AUDITOR OF PUBLIC ACCOUNTS

SAH/alh



May 23, 2013

Ms. Martha Mavredes
The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Mavredes:

Christopher Newport University has reviewed the findings and recommendations provided by the Auditor of Public Accounts for fiscal year ended June 30, 2012. The University appreciates the effort and hard work the APA auditors put towards the audit this year and has the following response to the Internal Control and Compliance Matter:

Internal Control and Compliance Matters

Improve eVA Internal Controls and Compliance

The University will implement measures to ensure compliance with the requirements in the Security Standards regarding certifications, quarterly monitoring and the annual audit. Purchasing policies and procedures will be updated to include the monitoring and deactivation of eVA access. ERS training will be developed and provided to supervisors and resource providers to ensure prompt removal of all of the terminated employee's resources.

Sincerely,

A handwritten signature in blue ink that reads "William L. Brauer".

William L. Brauer
Executive Vice President

CHRISTOPHER NEWPORT UNIVERSITY
Newport News, Virginia

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