

LONGWOOD UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2009**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Longwood University for the year ended June 30, 2009, found:

- the financial statements are presented fairly, in all material respects, with generally accepted accounting principles;
- certain internal control matters requiring management's attention; and
- instances of noncompliance and other matters required to be reported under Government Auditing Standards.

The University has successfully implemented a major enterprise administrative system, known as Banner, which includes finance, student, and financial aid modules. Banner has additional modules which gives the University the capability to expand the system into other administrative aspects of the institution. As with any major implementation of a modern system, there exists opportunities to further enhance operations and re-examine the system's impact on existing internal controls and processes.

As part of our audit process, we revisited opportunities to improve efficiencies, eliminate or reduce manual efforts, and potentially speed-up operations identified during a post-implementation review of Banner conducted in 2008. We found management has successfully initiated plans to address many of the opportunities identified but has delayed implementation of the plans until they complete a Banner upgrade in late-Spring 2010.

In addition, we have audited the basic financial statements of Longwood University as of and for the year ended June 30, 2009 and issued our report thereon dated May 26, 2010. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov.

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AUDIT FINDINGS AND RECOMMENDATIONS

Implement Banner Efficiencies

As part of our audit process, we examined Longwood's progress in addressing our prior recommendations to improve efficiencies, eliminate or reduce manual efforts, and potentially speed-up operations. We found management has successfully initiated plans to address many of the opportunities identified, but has not completed their implementation. The University upgraded Banner during fiscal year 2010 and decided to delay addressing the following opportunities to enhance operations until the completion of this upgrade.

- Use Banner-eVA interface to improve Banner functionality, staff efficiency and internal controls.
- Use Banner budgetary controls to perform budget checking for all purchases to prevent overspending on the departmental level.
- Reduce paperwork and manual processes by using Banner Workflow functionality.
- Develop and document plans for future upgrades, installations and improvements based on need and funding.

We recommend that University management proceed with its plan to enhance operations and efficiencies now that the recent Banner upgrade is complete.

Reconciliations and Interfaces Between Banner and Third-Party Systems

The University uses a non-Banner product, RMS, to allow students to make their housing and meal plan selections via the Internet. Periodically, the University interfaces RMS to the Banner Student module to charge the student's account for their housing and meal selections. We found the University does not reconcile RMS data to Banner and therefore may not identify interface problems, potentially resulting in incorrect charges to a student's account.

Additionally, the University uses another non-Banner product, CBORD, to manage student meal plans. Students use their ID card (CBORD) like a debit card when purchasing their meals on campus. An interface with Banner transfers the meal plan data into CBORD. However, we found the University does not reconcile CBORD to RMS or Banner and therefore, does not identify errors or irregularities that could occur from the interfaces.

In 2008, we recommended the University periodically reconcile CBORD, RMS, and Banner housing and meal plan information to ensure the University properly billed all student accounts and no interface errors have occurred. At the conclusion of the 2009 audit, we determined that the University has developed a reasonable reconciliation process and implemented it beginning in Spring 2010.

Improve Contingency Plan Testing

The University has not tested their continuity of operations or disaster recovery plans for their Banner systems. University standards specify that all directors or department heads have responsibility for periodically reviewing, testing, and updating their plans.

While there is some testing of backup tapes to ensure that the University can recover and begin operations, there has not been a complete test of the contingency plan or the disaster recovery plan. Without

having completed these tests, the University cannot guarantee the availability of these systems to continue operations in the event of an emergency. We recommend that the University allocate the necessary resources to test both the continuity of operations plan and the disaster recovery plan to help ensure that the availability of mission critical systems.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

May 26, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

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

Board of Visitors
Longwood 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 discretely presented component units of **Longwood University** as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements and have issued our report thereon dated May 26, 2010. Our report was modified to include 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.

Our consideration of internal control over financial reporting was for the limited purpose described in preceding paragraph and would not necessarily identify all deficiencies in internal control over financial

reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies entitled "Reconciliations and Interfaces Between Banner and Third-Party Systems" and "Improve Contingency Plan Testing", which are described in the section titled "Audit Findings and Recommendations" to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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, and 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 and other matters that are required to be reported under Government Auditing Standards. An instance of noncompliance, entitled "Improve Contingency Plan Testing" and other matters entitled "Implement Banner Efficiencies," are 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 not taken adequate corrective action with respect to the previously reported findings "Implement Banner Efficiencies," "Reconciliations and Interfaces between Banner and Third Party Systems," and "Improve Contingency Plan Testing." Accordingly, we included these findings in the section entitled "Audit Findings and Recommendations." The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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 May 27, 2010.

AUDITOR OF PUBLIC ACCOUNTS

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UNIVERSITY

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May 26, 2010

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

Dear Mr. Kucharski:

The following are responses to the audit findings and recommendations issued to Longwood University following the recent audit of the University's June 30, 2009 financial statements.

Implement Banner Efficiencies

As part of the audit process, the Auditor of Public Accounts examined progress in addressing prior recommendations to improve efficiencies, eliminate or reduce manual efforts and potentially speed-up operation. It was found that management has successfully initiated plans to address many of the opportunities identified but has not completed their implementation. The University upgraded Banner during fiscal year 2010; the Auditor of Public Accounts mentioned the following opportunities to enhance operation that were delayed until the completion of this upgrade.

- Use Banner-eVA interface to improve Banner functionality, staff efficiency and internal controls.

A task force is currently evaluating the eVA interface to determine if implementation is appropriate for the University. The University has implemented approver review of each purchase made through eVA as an added internal control. The report from the task force is due in June, 2010.

- Use Banner budgetary controls to perform budget checking for all purchases to prevent overspending on the departmental level.

In its Banner implementation, Longwood made the decision to initiate the "warning" feature, as opposed to completely terminating payment processing. This was done to prevent the University from jeopardizing prompt pay guidelines. This feature has been in use since the implementation of Banner Finance in 2006. The University does not intend to implement another option for budget checking in Banner.



In instances where there is insufficient budget to cover an expenditure, a warning message is displayed and reviewed during the payment approval process. In addition, Longwood has established compensating controls to assist in preventing and identifying budget deficits. These include:

1. Materiel Management recently implemented a new eVA approval process (effective May 1, 2010) that requires the approval of the user's expenditure limit approver/supervisor for all eVA orders.
 2. The Budget Office conducts budget reviews at least monthly. All budget deficits are brought to the budget manager's attention. As addressed on the Budget Office website (<http://www.longwood.edu/budget/BudgetManagerResponsibility.htm>), the department must eliminate deficits prior to year end or their following year's budget will be reduced by the amount overspent.
 3. Accounts Payable checks agency and student activity funds prior to processing invoices to ensure funding availability.
 4. General Accounting monitors all Banner funds weekly in order to identify any negative balances.
- Reduce Paperwork and manual processes by using Banner Workflow functionality. Banner Workflow is a specific product to allow prepared Banner documents to move within the system. According to the vendor, SCT, the implementation expense and resources required to maintain the Workflow product would be too great to justify its use by a University of Longwood's size. The University does not intend to implement this feature of Banner.
 - Develop and document plans for future upgrades, installations and improvements based on need and funding.

All Banner systems are currently up to date. No product specifications are currently available for the next Banner upgrade (version 9) and are not expected to be available for at least a year. Once those specifications are released, we will plan appropriate upgrades and installations accordingly based on the need and available funding. After the completion of the analysis of implementing the eVA interface, a decision will be made whether to proceed with the implementation. If the interface is to be implemented, a plan will be developed for the implementation.

Reconciliations and Interfaces Between Banner and Third –Party Systems

The APA recognizes that the University has developed a reasonable reconciliation process. The University did, in fact, develop and implement the process in Spring 2010 by performing all reconciliations between Banner and Third-Party Systems.

Improve Contingency Plan Testing

Longwood University's Continuity of Operations Plan received a score of 83% from the Virginia Department of Emergency Management in 2008 after working with Beck Disaster Recovery, a consulting firm recommended by VDEM. Between the date that this score was received and this year, VDEM requested that the University update its COOP plan on new VDEM forms. The University worked with VDEM to update the COOP; however, for a period of four months during this audit cycle, VDEM was not able to assist Longwood as planned. The University was going to use COOP to indicate which systems would be entered into the University's Disaster Recovery Plan and then tested. The University has a COOP team that has been working on revising COOP for the last ten months.

The first revision of the COOP plan was submitted to VDEM on August 15, 2009, and was accepted. The plan was re-submitted on April 1, 2010, to the new COOP manager at VDEM and was accepted as a working document. In addition, the University is currently working on the DRP. The DRP and COOP will be tested no later than October 31, 2010.

The Director of Environmental Health and Occupational Safety and Emergency Management attended the National Institute for Business Continuity Management and was Certified as a COOP Manager in October, 2009.

The University Data Classification project (<http://www.longwood.edu/infosec/data/DataClassificationTOC.htm>) has identified data owners as a first step. As this project continues over the next year, vulnerability self-assessment will be implemented that will be conducted as needed.

If you have any questions or need additional information, please do not hesitate to contact me at (434) 395-2016 or worsterks@longwood.edu.

Sincerely,



Kathy S. Worster, MBA, MAcc, CPA
Vice President for Administration and Finance

LONGWOOD UNIVERSITY
Farmville, Virginia

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