



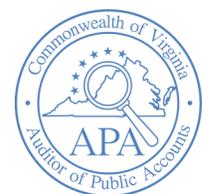
# OLD DOMINION UNIVERSITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

We have audited the basic financial statements of Old Dominion University as of and for the year ended June 30, 2014, and issued our report thereon, dated June 16, 2015. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the University's website at [www.odu.edu](http://www.odu.edu).

Our audit of Old Dominion University for the year ended June 30, 2014, found:

- the financial statements are presented fairly, in all material respects;
- an internal control finding requiring management's attention; however, we do not consider it to be a material weakness; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal program of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement; and found no internal control findings requiring management's attention or instances of noncompliance in relation to this testing.

**-TABLE OF CONTENTS-**

	<u>Pages</u>
AUDIT SUMMARY	
INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS	1
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	2-4
UNIVERSITY RESPONSE	5-6
UNIVERSITY OFFICIALS	7

## INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

### **Improve Internal Controls to Ensure Completeness of Reported Prepaid Expenses**

Insurance premiums for fiscal year 2015 that were paid in fiscal year 2014 were inappropriately excluded from the prepaid expenses line item on the Statement of Net Position. In accordance with the University Office of Finance Procedure Manual, Procedure 3-003: Procedure to Reconcile Prepaids, an analysis is made to determine in which fiscal year the bill is to be expensed and once the accrual period has ended, a journal entry is prepared to zero out the prepaid account and charge the budget for the expense in the appropriate year.

During fiscal year 2014, the Accounts Payable department compiled a listing of prepaid expenses as they were paid. At the end of the fiscal year, the Finance Department analyzed prepayments during the year; however, neglected to include direct payments, or payments that are directly billed to the University (for example, utilities and insurance premiums), into the analysis.

As a result, the University understated prepaid expenses on the Statement of Net Position by just over \$700,000 and overstated operating expenses on the Statement of Revenues, Expenses and Changes in Net Position by the same amount. Specifically, the prepaid expense line item did not include insurance premiums in the amount of \$684,286 for workers' compensation coverage and \$19,089 for CarCare liability.

We recommend that the Office of Finance ensure that they are evaluating completeness of the population and considering all possible items to be included in the prepaid expense line item. Additionally, we recommend that Procedure 3-003: Procedure to Reconcile Prepaids, be updated to reflect changes in the process for compiling the prepaid expense information and ensure inclusion of direct payments in the analysis of prepayments.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

June 16, 2015

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John C. Watkins  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Old Dominion University

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

We have audited, in accordance with the 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, the financial statements of the business-type activities and aggregate discretely presented component units of **Old Dominion University** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated June 16, 2015. Our report includes a reference to other auditors. 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 of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting entitled "Improve Internal Controls to Ensure Completeness of Reported Prepaid Expenses", which is described in the section titled "Internal Control Findings and Recommendations," that we consider to be a significant deficiency.

## **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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **The University's Response to Findings**

We discussed this report with management at an exit conference held on June 8, 2015. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

EMS/clj



**OLD DOMINION UNIVERSITY**  
Office of the President

Koch Hall  
Norfolk, Virginia 23529-0001  
Telephone: (757) 683-3159  
FAX: (757) 683-5679

June 16, 2015

Martha S. Mavredes, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Mavredes:

We have reviewed the audit finding and recommendation resulting from the fiscal year 2014 audit by the Auditor of Public Accounts (APA) and discussed during the exit conference.

Old Dominion University acknowledges and concurs with the audit finding. The following contains the APA finding and management's response to the concern and issue raised.

**APA Finding - Improve Internal Controls to Ensure Completeness of Reported Prepaid Expenses**

Insurance premiums for fiscal year 2015 that were paid in fiscal year 2014 were inappropriately excluded from the prepaid expenses line item on the Statement of Net Position. In accordance with the University Office of Finance Procedure Manual, Procedure 3-003: Procedure to Reconcile Prepaids, an analysis is made to determine in which fiscal year the bill is to be expensed and once the accrual period has ended, a journal entry is prepared to zero out the prepaid account and charge the budget for the expense in the appropriate year.

During fiscal year 2014, the Accounts Payable department compiled a listing of prepaid expenses as they were paid. At the end of the fiscal year, the Finance Department analyzed prepayments during the year, however, neglected to include direct payments, or payments that are directly billed to the University (for example, utilities and insurance premiums), into the analysis.

As a result, the University understated prepaid expenses on the Statement of Net Position by just over \$700,000 and overstated operating expenses on the Statement of Revenues, Expenses and Changes in Net Position by the same amount. Specifically, the prepaid expense line item did not include insurance premiums in the amount of \$684,286 for workers' compensation coverage and \$19,089 for CarCare liability.

Old Dominion University is an equal opportunity, affirmative action institution.

We recommend that the Office of Finance ensure that they are evaluating completeness of the population and considering all possible items to be included in the prepaid expense line item. Additionally, we recommend that Procedure 3-003: Procedure to Reconcile Prepays, be updated to reflect changes in the process for compiling the prepaid expense information and ensure inclusion of direct payments in the analysis of prepayments.

**Management's Response**

Old Dominion University's goal is to ensure accurate information for the preparation of the University's Financial Statements. Office of Finance Procedure 3-003 has been updated to reflect the current process. In addition, a reporting tool has been developed, tested and moved into our software production environment to aid in the analysis of prepaids.

Sincerely,



David F. Harnage  
Chief Operating Officer

## OLD DOMINION UNIVERSITY

Norfolk, Virginia

### BOARD OF VISITORS

Fred J. Whyte, Rector

Jeffrey W. Ainslie

David L. Bernd

John F. Biagas

Dr. Richard T. Cheng

Capt. J. William Cofer

Jodi S. Gidley

Dee D. Gilmore

Luke M. Hillier

Marc Jacobson

Andrea M. Kilmer

Barry M. Kornblau

Dr. Mary E. Maniscalco-Theberge

Frank Reidy

Ronald C. Ripley

Judith O. Swystun

Robert M. Tata

### OFFICIALS

John R. Broderick, President

David F. Harnage, Chief Operating Officer

Carol Simpson, Provost and Vice President for Academic Affairs

Robert L. Fenning, Vice President for Administration and Finance

Alonzo C. Brandon, Vice President for University Advancement

H. Rodger Harvey, Interim Vice President for Research

Ellen J. Neufeldt, Vice President for Student Engagement and Enrollment Services

September C. Sanderlin, Vice President for Human Resources