

UNIVERSITY OF VIRGINIA

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the University of Virginia for the year ended June 30, 2008, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider to be material weaknesses; and
- one instance of noncompliance or other matters required to be reported.

We have audited the basic financial statements of the University as of June 30, 2008, and for the year then ended and issued our report thereon, dated October 30, 2008. Our report is included in the President's Report 2007-08 issued by the University that it anticipates releasing on or around December 8, 2008.

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COMPLIANCE FINDING AND RECOMMENDATION

Properly Complete Employment Eligibility Verification Forms

The University has implemented significant improvements in the procedures it follows to ensure that University employees and supervisors properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security. Even so, the University's decentralized I-9 processing has allowed several exceptions to University's procedures to occur. The University's procedures require the employee to complete, sign, and date the form on the first day of employment. Additionally, the employer or designated representative must complete, sign, and date the form within three business days of employment.

In our sample of 38 of these forms completed in fiscal year 2008, we found one or more errors on seven of the forms as follows:

- Two forms did not have a date of birth completed that is required in Section 1;
- Two employees did not sign and/or date the form on the first day of employment required in Section 1;
- The employer did not verify documentation for one employee within three business days of the employment start date required in Section 2;
- Three forms did not provide sufficient information from the verification documents, such as expiration date and issuing authority, required in Section 2; and
- Two forms did not provide certifying title and/or agency name and address required in Section 2.

We recommend that the newly created Office of Compliance and Immigration Services within the Human Resources Division continue to improve its processes by ensuring detailed training of all departmental staff, who complete these forms, and developing broader procedures to ensure a review of all forms for compliance with federal regulations. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. Their increased enforcement makes having a good process in place to complete I-9 forms even more important.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

October 30, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
University of Virginia

**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 the **University of Virginia** as of and for the year ended June 30, 2008, which collectively comprise the University of Virginia's basic financial statements, and have issued our report thereon dated October 30, 2008. 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.

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.

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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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.

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. One instance of noncompliance and other matters, entitled "Properly Complete Employment Eligibility Verification Forms" is described in the section titled "Compliance Finding and Recommendation."

The University's response to the finding 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of Virginia. The accompanying State Student Loan Fund Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Status of Prior Findings

The University has not taken adequate corrective action with respect to the previously reported finding “Properly Complete Employment Eligibility Verification Forms.” Accordingly, we included this finding in the section entitled “Compliance Finding and Recommendation.” 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 October 30, 2008.

AUDITOR OF PUBLIC ACCOUNTS

SUPPLEMENTARY INFORMATION

STUDENT LOAN FUND SCHEDULE

In the past, the University has used its Commonwealth of Virginia Student Loan Fund to provide matching funds to meet the institutional contribution requirements of the federally sponsored Perkins Loan Program. At June 30, 2008, the fund balance of the State Student Loan Fund consisted of the following:

Cash	\$ 8,128
Due from Perkins Loan Program	<u>82,306</u>
Fund balance	<u>\$90,434</u>

The University transferred no funds from the State Student Loan Fund to the Perkins Loan Program during the fiscal year.

October 28, 2008

Mr. Walt Kucharski
Auditor of Public Accounts
P.O. Box 1295
James Monroe Building
Richmond, Virginia 23218

Dear Mr. Kucharski:

The University of Virginia has reviewed the internal control finding and recommendation provided by the Auditor of Public Accounts (APA) for the fiscal year ended June 30, 2008. The University agrees with the finding and already has taken additional steps to eliminate the issues. We have listed below the finding with the University's corrective action plan.

APA Finding: Properly Complete Employment Eligibility Verification Forms

The University has implemented significant improvements in the procedures it follows to ensure that University employees and supervisors properly complete Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U.S. Citizenship and Immigration Services of the U.S. Department of Homeland Security. Even so, the University's decentralized I-9 processing has allowed several exceptions to the University's procedures to occur. The University's procedures require the employee to complete, sign, and date the form on the first day of employment. Additionally, the employer or designated representative must complete, sign, and date the form within three business days of employment.

In our sample of 38 of these forms completed in fiscal year 2008, we found one or more errors on seven of the forms as follows:

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- The employer did not verify documentation for one employee within three business days of the employment start date as required in Section 2;
- Three forms did not provide sufficient information from the verification documents, such as expiration date and issuing authority, as required in Section 2; and
- Two forms did not provide certifying title and/or agency name and address as required in Section 2.

We recommend that the newly created Office of Compliance and Immigration Services within the Human Resources Division continue to improve its processes by ensuring

detailed training of all departmental staff, who complete these forms, and developing broader procedures to ensure a review of all forms for compliance with federal regulations. The federal government has increased its enforcement efforts requiring employers to ensure that all new employees are legally entitled to work in the United States. Their increased enforcement makes having a good process in place to complete I-9 forms even more important.

University of Virginia Management Response:

Since last year Human Resources has implemented a number of changes to increase controls over the I-9 forms. Human Resources reorganized its staff to create the Office of Compliance and Immigration Services (CIS).

CIS implemented mandatory monthly audit reviews beginning in September 2007. CIS will continue these monthly internal audits, and will, effective immediately, conduct thorough audits of each I-9 received from departments upon receipt.

While the University is confident that Human Resources has taken the appropriate steps to ensure that all employees are authorized to work in the United States, management agrees that continuing to strengthen controls and procedures is prudent. CIS has shared this audit finding with departmental personnel.

Please contact me if additional information is needed. On behalf of the University of Virginia, please extend my appreciation to all of your staff for their professional audit work and recommendations.

Sincerely,



Yoke San Reynolds
Vice President and Chief Financial Officer

YSR/gn

cc: Leonard W. Sandridge
Susan Carkeek
Steve Kimata

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Charlottesville, Virginia

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