

UNIVERSITY OF VIRGINIA

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

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

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

- the financial statements are presented fairly, in all material respects;
- no internal control findings requiring management's attention; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards

We have audited the basic financial statements of the University of Virginia as of and for the year ended June 30, 2012, and issued our report thereon, dated November 19, 2012. Our report is included in the President's Annual Report that the University anticipates releasing in December of 2012.

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COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Oracle Database Security

The University of Virginia (University) has not implemented certain information security controls in its Oracle database that stores sensitive information for the Student Information System. Some of this information is also classified sensitive under the Family Educational Rights and Privacy Act (FERPA). The Center for Internet Security (CIS) Oracle 11g Database best practices recommends implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

We identified and communicated three weak controls to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. Management agreed with our recommendations and provided a corrective action plan to us under the same public disclosure exemption.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 19, 2012

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
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, 2012, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 19, 2012. 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 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.

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.

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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards. The instance of noncompliance, entitled "Improve Oracle Database Security" is described in the section titled "Compliance Findings and Recommendations".

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.

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 November 19, 2012.

AUDITOR OF PUBLIC ACCOUNTS

LJH/clj



December 10, 2012

Mr. Walter 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 management comment provided by the Auditor of Public Accounts for the period ending June 30, 2012. University management concurs with the findings, and has already taken action to strengthen internal controls over this area.

Improve Oracle Database Security

The University of Virginia (University) does not implement certain information security controls in its Oracle database that stores sensitive information for the Student Information System. Some of this information is also classified sensitive under the Family Educational Rights and Privacy Act (FERPA).

The Center for Internet Security (CIS) Oracle 11g Database best practices recommends implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

We identified and communicated three weak controls to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. Management agreed with our recommendations and provided a corrective action plan to us under the same public disclosure exemption.

University Management Response

Although the University had other compensating controls in place, management agrees with the Auditor of Public Accounts (APA) recommendations, and will put all three recommended controls in place.

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

Sincerely,


Colette Sheehy

CC: Mr. Pat Hogan
Mr. David Boling
Ms. Shirley Payne

UNIVERSITY OF VIRGINIA
Charlottesville, Virginia

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