



VIRGINIA COMMONWEALTH UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA
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AUDIT SUMMARY

We have audited the basic financial statements of Virginia Commonwealth University as of and for the year ended June 30, 2014, and issued our report thereon, dated December 15, 2014. Our report, included in the University's Financial Statements, is available on the Auditor of Public Accounts' website at www.apa.virginia.gov and on the University's website at www.vcu.edu.

Our audit of Virginia Commonwealth University for the year ended June 30, 2014, found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over a major federal program of the Research and Development Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement; and we 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 AND COMPLIANCE FINDINGS	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 AND COMPLIANCE FINDINGS

Improve Student Health Portal Security

Virginia Commonwealth University (the University) lacks certain controls to protect its Student Health Portal that contains sensitive student data covered under the Family Educational Rights and Privacy Act. Weak controls can create vulnerabilities that expose sensitive data to potential compromises, which, as a result, may lead to reputational damage and financial penalties imposed on the University.

Our review noted several areas of weakness that we have communicated in detail 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 their sensitivity and description of security controls.

We recognize that management has been actively working to address these concerns. Therefore, we recommend that the University continue to dedicate the necessary resources to implement the controls discussed in our recommendation in accordance with industry best practices and University Policy.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

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

Board of Visitors
Virginia Commonwealth 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 **Virginia Commonwealth 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 December 15, 2014. 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 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. 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 deficiency in internal control over financial reporting entitled "Improve Student Health Portal Security," which is described in the section titled "Internal Control and Compliance Findings," 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the section titled "Internal Control and Compliance Findings," in the finding entitled "Improve Student Health Portal Security."

We noted certain matters that we reported to management of the University in a separate letter dated December 8, 2014.

The University's Response to Findings

We discussed this report with management at an exit conference held on December 8, 2014. The University's response to the finding 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.

Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

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/alh

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Richmond, Virginia 23284-3076**804 828-6116 • Fax: 804 828-0978**
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December 15, 2014

David A. Von Moll
State Comptroller
Virginia Department of Accounts
P.O. Box 1971
Richmond, VA 23218Subject: Response to Internal Control and Compliance Findings and
Recommendations of the Auditor of Public Accounts

Dear Mr. Von Moll:

In compliance with the Commonwealth Accounting Policies and Procedures (CAPP) Manual, Section 10200, Financial Management, Virginia Commonwealth University (VCU) is submitting its response to the "Internal Control Findings and Recommendations" of the Auditor of Public Accounts' Report on Audit for the Year Ended June 30, 2014.

Should you have any questions or require additional information, please contact me at 828-6116.

Sincerely,

William R. Decatur
Senior Vice President for Finance
and Administration

Enclosure

cc: The Honorable Anne Holton
Martha S. Mavredes, Auditor of Public Accounts
Daniel S. Timberlake, Department of Planning and Budget

During Virginia Commonwealth University's (VCU) annual audit, the Auditor of Public Accounts routinely considers internal controls to determine financial statement auditing procedures. Although the Auditor provides no assurance about internal controls, one reportable condition on improving student health portal security, is noted in her report.

Although the Auditor's findings indicate conditions requiring management's attention, the conditions do not have a material effect on the financial statements.

Findings of the Auditor:

1. Improve Student Health Portal Security

Virginia Commonwealth University (the University) lacks certain controls to protect its Student Health Portal that contains sensitive student data covered under the Family Educational Rights and Privacy Act. Weak controls can create vulnerabilities that expose sensitive data to potential compromises, which, as a result, may lead to reputational damage and financial penalties imposed on the University.

Our review noted several areas of weakness that we have communicated in detail 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 their sensitivity and description of security controls.

We recognize that management has been actively working to address these concerns. Therefore, we recommend that the University continues to dedicate the necessary resources to implement the controls discussed in our recommendation in accordance with industry best practices and University Policy.

VCU Response:

VCU concurs with the findings, and management has immediately taken steps to correct the identified issues. As an ongoing effort, VCU will continue to establish configuration baselines and controls for the various technology platforms used within the University, and effectively communicate these baselines and controls to both the central and departmental IT units.

Responsible Person: Dan Han, Information Security Officer

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Richmond, Virginia

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