



VIRGINIA MILITARY INSTITUTE

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2013

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

Our audit of the **Virginia Military Institute** for the year ended June 30, 2013, 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
- one instance of noncompliance required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the Virginia Military Institute as of and for the year ended June 30, 2013, and issued our report thereon, dated May 1, 2014. Our report, included in the Virginia Military Institute's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the Virginia Military Institute's website at www.vmi.edu.

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INTERNAL CONTROL AND COMPLIANCE FINDING AND RECOMMENDATION

Improve Database Security

The Virginia Military Institute (Institute) does not have adequate controls in place to determine if database administrators (DBAs) have made unauthorized changes to sensitive and mission critical data in the UniData database management system that supports the Institute's Enterprise Resource Planning system, Colleague.

The Commonwealth's Information Security Standard, SEC 501-07.1 Section 8.3, requires implementing audit and accountability controls to reduce unnecessary risk to data confidentiality, integrity, and availability. Logging database activity and reviewing the logs consistently allows data owners to ensure the integrity of data and gives assurance that unauthorized changes are not made.

The Institute utilizes a database management system, UniData, that does not have the capability of logging DBA activities, such as alterations made to critical data. We first reported this concern to management during the fiscal year 2009 audit. At that time the Institute developed a corrective action plan to replace their UniData database with Microsoft SQL Server (SQL) to remediate the concern. However, the weaknesses are still present because the Institute has not completed this migration and is still relying on UniData.

The Institute's original plan projected to have the new SQL database in production in June 2013. However, due to implementation issues and resource limitations, the Institute has not been able to successfully implement the new system. As a result, the Institute cannot ensure confidentiality, integrity, and availability of information within the UniData database.

We recognize that the Institute is working towards replacing UniData with SQL to remediate these concerns; therefore, we recommend that the Institute dedicates the necessary resources to ensure this project is implemented in a timely manner and that the new system utilizes security controls in alignment with SEC 501-07.1 and industry best practices, such as those published by the Center for Internet Security.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 1, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Military Institute

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 the Virginia Military Institute (Institute) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements and have issued our report thereon dated May 1, 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 Institute, 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 Institute'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 Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 Database Security," which is described in the section titled "Internal Control and Compliance Finding and Recommendation," that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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 and which is described in the section titled "Internal Control and Compliance Finding and Recommendation" in the finding entitled "Improve Database Security."

The Institute's Response to the Finding

We discussed this report with management at an exit conference held on May 1, 2014. The Institute's response to the finding identified in our audit is described in the accompanying section titled "Institute Response." The Institute'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 Virginia Military Institute 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

GDS/alh

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29 April 2014

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

Dear Ms. Mavredes:

The Virginia Military Institute (VMI) has reviewed the Auditor of Public Accounts' (APA) Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the fiscal year ended 30 June 2013. The Institute appreciates the opportunity to respond to this finding and recommendation.

Audit Finding and Recommendation

Improve Database Security

The Institute concurs with the APA that the UniData database management system does not have the capability of logging database administrator activities, such as alterations made to critical data.

VMI is presently in the process of migrating from the UniData database engine to a SQL database engine. This migration is being accomplished in multiple phases. The first phase of moving to a Windows operating system is complete and the plan is to complete the last phase in October 2014 with a December 2014 alternative date should unforeseen complications arise.

In the meantime, in an effort to determine whether administrators have made unauthorized changes to sensitive and critical data in the Colleague system, the Institute has implemented two mitigating controls for logging changes to critical data within the Colleague database. We believe these controls are effective for logging all changes to the monitored data regardless of the user.



The Institute is committed to addressing this audit finding and recommendation. Thank you and your staff for your continued collaboration and support.

Sincerely,

A handwritten signature in black ink that reads "Robert L. Green". The signature is written in a cursive style with a large initial 'R'.

Robert L. Green
Brigadier General
Deputy Superintendent for Finance, Administration and
Support

CC: GEN J.H. Binford Peay, III
COL Robert W. Gilbert

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