



VIRGINIA STATE UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2013**

AUDIT SUMMARY

We have audited the basic financial statements of Virginia State University as of and for the year ended June 30, 2013, and issued our report thereon, dated April 3, 2014. Our report, included in the University's Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at Virginia State University's website at www.vsu.edu.

Our audit of the Virginia State University 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; and
- one instance of noncompliance required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal programs of the Student Financial Assistance Programs Cluster and Higher Education Institutional Aid (CFDA 84.031) 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.

The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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INTERNAL CONTROL AND COMPLIANCE FINDING AND RECOMMENDATION

Improve Controls Over Physical Inventory

The University did not follow proper protocol when physical inventories performed in 2010 and 2012 identified missing assets. The missing assets, totaling \$186,224, were last known to be in the possession of a professor who left the University in August 2010. Although the University corresponded with the professor on several occasions throughout 2010 and 2011 asking that she return the assets, the University has not aggressively pursued the recovery of the items. Consequently, these assets that were purchased with National Science Foundation research funds are still missing. The University should have contacted the State Police, Inspector General, and Auditor of Public Accounts immediately when the professor failed to return the assets that belonged to the University.

The University should take steps to actively pursue repossession of these items. If a similar situation occurs in the future, the University should file a report promptly with the State Police, Inspector General, and the Auditor of Public Accounts pursuant to Code of Virginia, Section 30-138.



Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 3, 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 State 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 the **Virginia State University** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 3, 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 certain deficiency in internal control over financial reporting entitled *Improve Controls Over Physical Inventory*, 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 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 and which is described in the section titled “Internal Control and Compliance Finding and Recommendation” in the finding entitled *Improve Controls Over Physical Inventory*.

The University’s Response to Findings

We discussed this report with management at an exit conference held on April 9, 2014. 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.

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

KKH/alh



VIRGINIA STATE UNIVERSITY

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David J. Meadows
Vice President for Administration & Finance

April 1, 2014

Ms. Martha Mavredes
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218-11295

Dear Ms. Mavredes:


Virginia State University (VSU) has reviewed the Auditor of Public Accounts' Report on Audit Findings and Recommendations for the fiscal year ended June 30, 2013. The University appreciates the opportunity to respond to the findings and recommendations contained in your report. In accordance with Government Auditing Standards, we provide the following response for inclusion in your report:

Improve Controls Over Physical Inventory

The University has received the formal APA management comment related to improving controls over physical inventory. Initially, the University did not pursue this issue as a theft, but attempted to handle the issue in a manner that would not damage the Principal Investigator's professional reputation. Since April 2011, the University has worked to bring closure to this issue. The Provost consulted with several sponsored research officers to obtain guidance, the University developed a written policy to investigate research integrity and misconduct, and the University developed a comprehensive set of policies and procedures that address compliance issues related to research. The University does agree that this issue has taken longer to resolve than expected. During the remainder of the fiscal year, the University will work diligently to resolve this issue.

We will keep you informed of our progress towards resolving this issue.

Sincerely,



David J. Meadows
Vice President for Administration & Finance and
Chief Financial Officer

cc: Dr. Keith T. Miller, Jr., President
The Honorable Anne Holton, Secretary of Education
Mr. David Von Moll, State Comptroller
Mr. Daniel Timberlake, Director of Planning and Budgeting

VIRGINIA STATE UNIVERSITY
Petersburg, Virginia

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