



RADFORD UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts

Staci A. Henshaw, CPA

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(804) 225-3350



AUDIT SUMMARY

We have audited the basic financial statements of Radford University (University) as of and for the year ended June 30, 2022, and issued our report thereon, dated March 13, 2023. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.radford.edu. Our audit 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
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal program of the Education Stabilization Fund for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Compliance Supplement, and found no internal control deficiencies requiring management's attention or instances of noncompliance in relation to this testing.

We did not perform audit work on the prior audit findings titled "Improve Compliance over Enrollment Reporting" and "Promptly Return Unclaimed Aid to the Department of Education," because the University did not implement corrective action during our audit period. We will follow-up on these findings during the fiscal year 2023 audit. The University took adequate corrective action with respect to its remaining prior audit findings and recommendations.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Financial Reporting Review Process

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Radford University's Controller's Office did not perform an adequate review of its financial statements to ensure accurate reporting of new and complex financial events. For the period ending June 30, 2022, we identified errors requiring management to make the following adjustments to the financial statements to ensure account balances and related activity were materially correct and align with generally accepted accounting principles (GAAP):

- Reclassified \$38.4 million in aid received from operating to non-operating revenue and eliminated \$21.6 million in revenue and expense received through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP). Reporting required for this funding was complex which resulted in the University misinterpreting the related guidance.
- Reclassified \$3.4 million from non-depreciable land to depreciable buildings associated with a one-time partial purchase of properties within a complex lease with the University's foundation.
- Recognized \$2.6 million in lease assets and liabilities related to implementation of Governmental Accounting Standards Board Statement No. 87 – Leases. The standard was new and complex, requiring significant preparation and effort.
- Reclassified \$2.2 million from unrestricted to restricted net position and removed \$2.2 million in outflows from the Statement of Cash Flows related to capital appropriations due from the Commonwealth. Fiscal year 2022 was the first time in five years this activity was applicable for the University to report.

Management is responsible for designing and maintaining a system of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement in accordance with GAAP. Misstatements increase the risk that users of financial statements may draw improper conclusions about the University's financial activities. While the Controller's Office has a mature financial reporting process for the University's ongoing activities, that process did not adequately address new and complex financial activity or requirements that increase the risk of misstatement and therefore, require heightened alertness and scrutiny during financial preparation review.

The Controller's Office should revisit its financial statement preparation review process to ensure the University reports new and complex financial activity in accordance with GAAP. Specifically, it should enhance its final analytical review process to identify unusual or unexpected financial correlations and perform more detailed analysis of material variances in activities from year to year.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 13, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Radford 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 discretely presented component unit of **Radford University** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated March 13, 2023. Our report includes a reference to another auditor who audited the financial statements of the component unit of the University, as described in our report on the University's financial statements. The other auditor did not audit the financial statements of the component unit of the University in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component unit of the University.

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 (internal control) as a basis for designing 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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. We did identify a deficiency in internal control entitled "Improve Financial Reporting Review Process" which is described in the section titled "Internal Control and Compliance Findings and Recommendations," 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The University's Response to Findings

We discussed this report with management at an exit conference held on March 13, 2023. Government Auditing Standards require the auditor to perform limited procedures on the University's response to the finding identified in our audit, which is included in the accompanying section titled "University Response." The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Status of Prior Findings

We did not perform audit work related to the findings included in our report dated June 6, 2022, titled "Improve Compliance over Enrollment Reporting" and "Promptly Return Unclaimed Aid to the Department of Education," because the University did not implement corrective action during our audit period. We will follow up on these findings during the fiscal year 2023 audit. The University has taken adequate corrective action with respect to the audit findings, "Improve Timeliness of Information System

Access Removal” and “Conduct Information Technology Security Audits on Sensitive Systems,” 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 Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj

RADFORD UNIVERSITY

March 21, 2023

The Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw:

We have reviewed the audit finding and recommendation titled "Improve Financial Reporting Review Processes" for the year ended June 30, 2022. Radford University acknowledges and concurs with the audit finding.

The Controller's Office (Office) strives to ensure financial statement activity is materially correct and aligns with generally accepted accounting principles. The Office seeks frequent and ongoing guidance from multiple sources to include Department of Accounts, Auditor of Public Accounts and the Governmental Accounting Standards Board. It is without question that there has been varying unique high-dollar reporting changes that have occurred throughout the pandemic as well as last year. The Office has begun enhancing its review procedures surrounding financial statement preparation to avoid future misstatements. Specifically, the Office will enhance its final analytical review process to identify unusual or unexpected financial correlations and perform more detailed analysis of material variances in activities from year to year. Updated procedures will be completed by May 1, 2023 and implemented in the fiscal year 2023 cycle by October 15, 2023.

We would like to thank you and your staff for the valuable services that you provide.

Sincerely,



Robert N. Hoover, Ed.D.
Vice President for Finance & Administration and Chief Financial Officer

RADFORD UNIVERSITY

As of June 30, 2022

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