



VIRGINIA MILITARY INSTITUTE

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2019

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We have audited the basic financial statements of Virginia Military Institute as of and for the year ended June 30, 2019, and issued our report thereon, dated June 9, 2020. Our report, included in the Institute's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the Institute's website at www.vmi.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 the finding to be a material weakness; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve Controls over Employment Eligibility Verification

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

During fiscal year 2019, Virginia Military Institute (Institute) personnel did not complete Employment Eligibility Verification (I-9) Forms accurately and/or submit case verifications through the employment eligibility system timely in accordance with federal requirements. The underlying cause of the I-9 errors is a need to improve the timely and accurate submission of employment documentation used to support the I-9 process to Human Resources. The underlying cause of the untimely case verifications is a lack of full understanding of the federal requirements. As a result, there are instances where the I-9 Form was completed prior to the employee accepting the job offer, documentation used to support the employment eligibility process does not agree with the I-9 Form, and subsequent case verifications have not been submitted timely.

In accordance with Section 2.0 (Who Must Complete Form I-9) of the United States Citizenship and Immigration Services (USCIS) Handbook for Employers (M-274), "the employee may complete Section 1 before the time of hire, but no earlier than acceptance of the job offer. The employer must review the employee's document(s) and fully complete Section 2 within three business days of the first day of employment." In accordance with Section 2.0 (Create a Case) of the Employment Verification User Manual, "Verification cases must be created no later than the third business day after the employee started work for pay. If the case is being created three or more days past the employee's first day of employment, you must provide a reason for the delay."

By not completing I-9 Forms properly, the Institute increases its level of risk of being deemed non-compliant with the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996.

A thorough review of existing processes should be performed to ensure that documents which support the employment eligibility process are submitted accurately and timely. Employment verification training materials should be provided to build upon the current understanding of the federal case verification submission requirements. Finally, corrective action should be implemented to ensure future compliance.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 9, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
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 Institute as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the **Virginia Military Institute's** basic financial statements and have issued our report thereon dated June 9, 2020. 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. We did identify a deficiency in internal control over financial reporting entitled "Improve Controls over Employment Eligibility Verification," which is described in the section titled "Internal Control Findings and Recommendations," 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 Findings and Recommendations" in the finding entitled "Improve Controls over Employment Eligibility Verification."

Virginia Military Institute's Response to Findings

We discussed this report with management at an exit conference held on June 8, 2020. The Institute's response to the finding identified in our audit is described in the accompanying section titled "Institute's 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 Institute has taken adequate corrective action with respect to the audit finding 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.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

JRQ/clj

VIRGINIA MILITARY INSTITUTE

LEXINGTON, VIRGINIA 24450-0304

COMPTROLLER
Office: 540-464-7270
Fax: 540-464-7794

29 April 2020

Ms. Martha S. Mavredes, CPA
Auditor of Public Accounts (APA)
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

Upon review of the Virginia Military Institute's (VMI) fiscal year 2019 Management Letter Comment memorandum, I hereby provide the following response for Report on Audit inclusion:

Improve Procedures over Completing Employment Eligibility (I-9) Forms

Management agrees with the APA's employment eligibility finding, emphasizes that no personnel were ultimately deemed ineligible for employment, and immediately commenced formulation and implementation of remediation efforts. We appreciate the opportunity to formally respond, the APA engagement team's continuous professionalism, and look forward to certifying full resolution in the near future.

Please contact me should you have any questions or concerns whatsoever.

Most Respectfully,



LTC Kevin A. Ryan, CPA
Comptroller, Virginia Military Institute



VIRGINIA MILITARY INSTITUTE

As of June 30, 2019

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