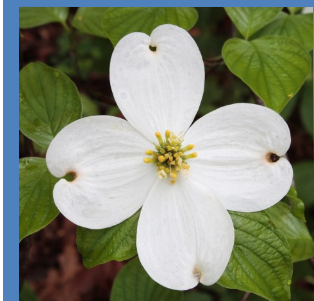


OLD DOMINION UNIVERSITY

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA
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AUDIT SUMMARY

We have audited the basic financial statements of Old Dominion University (University) as of and for the year ended June 30, 2022, and issued our report thereon, dated March 29, 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.odu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- deficiencies in internal control and its operation necessary to bring to management's attention including one we consider to be a material weakness; and
- an instance 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 "Strengthen Policies and Procedures Related to Terminated Employees," "Promptly Return Unclaimed Aid to the Department of Education," and "Improve Compliance over Enrollment Reporting" because the University did not complete corrective action during our audit period. We will follow up on these findings during the fiscal year 2023 audit.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Continue to Improve the Financial Reporting Process
Type of Finding: Internal Control
Severity: Material Weakness
Repeat: Yes (first issued in fiscal year 2021)
Prior Title: Improve the Financial Reporting Process

The University's Office of Finance (Finance) should continue to improve internal controls over its financial reporting process to prevent or detect and correct material misstatements in the financial statements on a timely basis. Based on our review, Finance made the following significant adjustments to the financial statements to ensure account balances and related activity were materially correct and align with generally accepted accounting principles (GAAP):

- Recognized $21.6 million in lease assets and $22.1 million in lease liabilities related to the implementation of Governmental Accounting Standards Board Statement No. 87 – Leases. This standard was new and complex, requiring significant preparation and effort from Finance prior to implementation.

- Removed a $3.8 million receivable for a bond requisition the University's Budget Office did not submit to the Department of the Treasury, which resulted in Finance overstating Due from the Commonwealth and Proceeds from the Virginia College Building Authority 21st Century and Equipment Trust Fund Bond Reimbursement program.

- Reclassified $3.6 million originally recorded as current prepaid expenses to noncurrent prepaid expenses for prepaying of certain services and subscriptions pertaining to fiscal years 2024 through 2027.

- Increased non-depreciable capital assets by $4.8 million primarily to correct the recognition of a $3.8 million capitalizable expense in fiscal year 2023 instead of fiscal year 2022, and exclusion of retainage payable of $1.6 million from construction in process.

- Decreased current liabilities by $4.6 million to correct recording errors primarily related to accounts payable and lease transactions, and to align the University's outstanding debt balances with the Department of the Treasury's records.

- Decreased operating expenses by $7.3 million primarily to correct the recognition of $5.0 million in expenses in fiscal year 2022 that pertained to fiscal year 2023.

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 misstatements in accordance with GAAP. Misstatements increase the risk that users of financial statements may draw improper conclusions about the University's financial activities. Due to the short time frame between the completion of the fiscal year 2021 audit and beginning of the fiscal year 2022 audit, current management did not have sufficient time to fully address the deficiencies in the financial reporting process we identified during the fiscal year 2021 audit. As the adjustments depict, management's internal control environment associated with the financial reporting process during fiscal year 2022 did not detect, prevent, or correct material misstatements in a timely manner, hence, we consider this a material weakness in internal control. At the beginning of fiscal year 2023, the University hired new management in Finance and dedicated additional resources to the financial reporting process, including working with consultants to address inefficiencies in the University's accounting system that contribute to a cumbersome financial statement preparation process.

In addition to working with consultants and filling key financial reporting positions, management should continue to strengthen the financial statement review process by performing periodic reviews while compiling the financial statements to include a final analytical review to identify unusual or unexpected financial correlations and a more detailed analysis of material variances in activities from year to year. Lastly, when there are new accounting standards affecting the operations of the University, management should sufficiently prepare prior to implementation to ensure correct financial reporting.

Improve Controls over Financial Reconciliations
Type of Finding: Internal Control
Severity: Significant Deficiency
Repeat: No

In fiscal year 2022, Finance did not have adequate internal controls incorporated in its reconciliation process to ensure timely performance and to provide assurance over the accuracy and validity of financial data included within certain reconciliations. During our review, we found:

- Finance could not reconcile year-end capital asset balances in its financial accounting and reporting system (accounting system) general ledger and fixed asset modules, which resulted in variances between the two modules totaling over $77 million.

- Finance had not addressed two significant reconciling items between the University's accounting system and bank balances that have existed since fiscal year 2001. During fiscal year 2001, the University upgraded its accounting system, including the modification of system coding for University bank accounts, resulting in a continuous reconciling item between the University's system and bank balance. Additionally, as part of its reconciliation process, Finance posts material realignment entries each month between bank accounts in its system, which continues to create a cumulative reconciling variance between the bank balance and the system.

- For two out of 12 billing and payment system reconciliations tested, Finance completed the reconciliation 29 to 34 days after the following month. For the two year-end bank reconciliations tested, Finance completed one three months after fiscal year end, and no documentation was available on the other reconciliation to demonstrate timeliness of completion.

Regarding bank reconciliations, previous management had been aware of the reconciling items over the years; however, they communicated they could not correct the reconciling items due to system limitations that would create reporting discrepancies elsewhere in the system if management attempted to correct the existing reconciling items. Additionally, Finance did not correctly complete the fixed asset reconciliation due to a lack of understanding of the appropriate reporting for certain capital asset transactions which caused inaccuracies in capital asset balances in the system.

Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20905 states agencies may not certify reconciliations as complete until the agency has specifically and completely identified all reconciling items and made corrections at the transaction level. Additionally, CAPP Topic 30905 states that agencies must reconcile information in the Commonwealth's capital assets system to the Commonwealth's accounting and financial reporting system to ensure it has interfaced properly and is valid for financial reporting purposes. Management should thoroughly investigate and document all reconciling items and make appropriate adjustments as necessary. Further, best practices suggest that Finance should complete a reconciliation prior to issuance of the following month's statement to ensure that transactions are correct, and no fraud has occurred. By not completing and addressing reconciling items timely, Finance increases the risk of recording inaccurate information in the University's and Commonwealth's financial statements.

At the beginning of fiscal year 2023, the University hired new management in Finance and dedicated additional resources to its financial processes, including procuring consultants to review the University's processes surrounding accounting for capital asset transactions and to address the significant bank balance reconciling items. When modifying processes, Finance should correspondingly update existing policies and procedures to ensure they capture and incorporate improvements in the University's internal control framework, providing assurance over the accuracy and timeliness of key financial reconciliations. While correction of the issues will take time, Finance continues to demonstrate its commitment to improve the University's reconciliation processes.

<u>Improve Accounting for Accounts Payable</u>

Type of Finding: Internal Control
Severity: Significant Deficiency
Repeat: No

In fiscal year 2022, the University's Accounts Payable Department (department) did not have an adequate process to evaluate invoices the University pays after fiscal year-end to ensure the accounts payable accrual amount is materially correct as referenced in the finding titled "Continue to Improve the Financial Reporting Process." Based on our sample of 40 transactions, we projected the department overstated accounts payable by $4.9 million. Additionally, in our review of three materially significant transactions, we found the department understated accounts payable by $3.2 million. The department's current process does not require review of any invoice paid after July 15th unless the invoice is greater than $250,000. For July and August 2022, the University processed over 3,000 individual invoices totaling $21.3 million after July 15th that did not exceed the $250,000 threshold for evaluation.

Per the University's Fiscal Year-End Closing Calendar, the date the University receives goods and services determines the fiscal year in which the department records the expense. For goods or services the University receives on or before June 30th, the department should charge the outgoing fiscal year while those the University receives on or after July 1, the department should charge to the incoming fiscal year. While it is a common practice for universities to establish a cutoff date and dollar threshold when reviewing for possible payables, the department should ensure the process does not create the possibility of material misstatement. Recording expenses in the incorrect fiscal year could cause an overstatement or an understatement of liabilities in the financial statements, which could lead to a misrepresentation of the University's financial position.

In July 2022, University management moved the accounts payable function from Finance and assigned new management to the department. The department should improve the overall year-end payable review process, including examining the cutoff date and dollar threshold to ensure they are appropriate to reduce the risk of material misstatement.

Improve Controls over Capital Asset Inventory
Type of Finding: Internal Control
Severity: Significant Deficiency
Repeat: No

The University did not perform an adequate biennial inventory and did not maintain adequate documentation for completed physical inventories. Based on ODU's inventory schedule, as of June 30, 2022, five departments did not perform a physical inventory timely and remained incomplete as of December 31, 2022. Additionally, three departments did not perform a physical inventory timely to meet the December 31, 2022, completion deadline. Lastly, two departments could not provide documentation to support staff completed the inventory timely.

The University's Fixed Asset Management policies and procedures require a physical inventory of capital assets and controlled assets at least once every two years to properly safeguard assets and maintain fiscal accountability. Further, CAPP Manual Topic 30505 requires a physical inventory of capital assets at least once every two years to properly safeguard assets and maintain fiscal accountability. In addition, management should maintain records for a period of at least three years or longer, if necessary, to be compliant with policies established by the Library of Virginia's records management.

While the University does maintain an inventory schedule to ensure compliance with policies and procedures, the University revised this schedule multiple times between 2020 and 2022 due to the COVID-19 pandemic and staff turnover. Without performing a physical inventory biannually and maintaining adequate documentation, the University increases the risk of misappropriation of Commonwealth property and may contribute to the inclusion of inaccurate information in the capital asset system, which could lead to misstatements in the financial statements. The University should complete capital asset physical inventories and retain documentation in accordance with their policies and procedures and CAPP Manual Topic 30505.

<u>Promptly Return Unearned Title IV Funds to Department of Education</u>
Type of Finding: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes (first issued in fiscal year 2021)

University personnel did not consistently return unearned Title IV funds to the U.S. Department of Education (Education) within the required timeframe and did not properly calculate Title IV unearned aid. The primary causes for the noncompliance are attributable to University personnel not identifying unofficial withdrawals timely and a coding issue impacting the return of Title IV calculations. From a review of the 25 students, we identified the following deficiencies:

- The University did not identify 14 of 14 students (100%) who unofficially withdrew and required a return of Title IV calculation.

- For two students (8%), the University did not properly calculate the unearned aid causing the University to not return a total of $1,683 in Direct Loans and $240 in Pell Grant funds to Education.

- For 13 of 25 students (52%), the University did not return the unearned funds to Education timely.

In accordance with Title 34 U.S. Code of Federal Regulations (CFR) § 668.21(b), the institution must return those funds for which it is responsible as soon as possible, but no later than 45 days after the date that the institution becomes aware that a student has withdrawn. In addition, in accordance with 34 CFR § 668.22, when a recipient of a Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. By not returning funds timely or at the correct amount, the institution is not in compliance with Federal requirements and may be subject to potential adverse actions that may affect the University's participation in Title IV programs.

Management should implement corrective measures to timely identify students who have withdrawn and properly calculate unearned aid. In addition, management should work with its third-party servicer to review coding within the student information system which impacts return of Title IV queries. Management should identify any students impacted by the coding error and make any necessary corrections.

Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

March 29, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Old Dominion 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 **Old Dominion University** (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 29, 2023. Our report includes a reference to other auditors who audited the financial statements of the component units of the University, as described in our report on the University's financial statements. The other auditors, excluding those of the Old Dominion University Research Foundation, did not audit the financial statements of the component units 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 those component units of the University. Additionally, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters for the Old Dominion University Research Foundation, which are reported on separately by those auditors.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the sections titled "Internal Control and Compliance Findings and Recommendations," we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency titled "Continue to Improve the Financial Reporting Process," which is described in the section titled "Internal Control and Compliance Findings and Recommendations," to be a material weakness.

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. We consider the deficiencies titled "Improve Controls over Financial Reconciliations," "Improve Accounting for Accounts Payable," "Improve Controls over Capital Asset Inventory," and "Promptly Return Unearned Title IV Funds to Department of Education," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," to be significant deficiencies.

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 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 Findings and Recommendations" in the finding titled "Promptly Return Unearned Title IV Funds to Department of Education."

The University's Response to Findings

We discussed this report with management at an exit conference held on March 29, 2023. Government Auditing Standards require the auditor to perform limited procedures on the University's response to the findings 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

The University has not taken adequate corrective action with respect to the previously reported findings currently titled "Continue to Improve the Financial Reporting Process" and "Promptly Return Unearned Title IV Funds to Department of Education." Accordingly, we included these findings in the section titled "Internal Control and Compliance Findings and Recommendations." We did not perform audit work related to the findings included in our report dated June 28, 2022, titled "Strengthen Policies and Procedures Related to Terminated Employees," "Promptly Return Unclaimed Aid to the Department of Education," and "Improve Compliance over Enrollment Reporting" because the University did not complete corrective action during our audit period. The University has taken adequate corrective action with respect to the audit findings, "Improve Controls over Residential System Access" and "Properly Complete Exit Counseling for Federal Direct Loan Borrowers," 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

LDJ/vks

OLD DOMINION
UNIVERSITY

Division of Administration and Finance

March 30, 2023

Staci A. Henshaw, CPA
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw:

We have reviewed the audit findings and recommendations for the year ending June 30, 2022, that were discussed during the financial statement audit exit conference. Old Dominion University ("University") acknowledges and agrees with the findings and recommendations.

The University places a high value on presenting financial statements accurately and in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). For this reason, immediately following the release of the fiscal year 2021 internal control report University Leadership implemented new Management ("Management") and a new structure in the Office of Finance. This included splitting Accounts Payable from the Office of Finance. Additionally, a new interim Controller was assigned to management of the remaining units within the Office of Finance. The goal of these reassignments was to affect change through various strategies including the review of financial reporting processes, the identification of weaknesses in the processes, and the implementation of improvements to those processes. Following these reassignments, five accounting and reporting team members transitioned out of the Office of Finance, and Management implemented measures to ensure business continuity along with process evaluations and improvements during the transition.

The initial change in management went into effect on July 11, 2022, which coincided with the release of the fiscal year 2021 Internal Control Report and the end of fiscal year 2022. As such, challenges identified in the fiscal year 2021 Internal Control Report were carried through the entirety of fiscal year 2022. The University has not had sufficient time to implement all corrections and improvements. However, significant progress has been made and will continue until the objectives around strengthening financial reporting improvements have been achieved.

The auditor assessments from fiscal year 2021 as well as the assessments from the review of fiscal year 2022 provide an opportunity for the University to continue improving business processes that further support an effective controls environment. Please see below for management's response to each finding.

Vice President for Administration and Finance
2012 Koch Hall, Norfolk, VA 23529 • Phone: 757-683-3464 • Fax: 757-683-5985 • www.odu.edu/adminfinance

Continue to Improve Financial Reporting Process

Management takes very seriously the responsibility to provide adequate controls over our financial reporting process to prevent or detect and correct material misstatements in the financial statements on a timely basis, and as such we take seriously the task of assessing and remediating control deficiencies.

With regard to the new lease standard implementation, Management agrees that preparation and data entry during fiscal year 2022 lacked thorough analysis and review. Subsequently, the lease accounting system was opened multiple times after year end to incorporate corrections to interest rates and lease terms. Interest rates were updated; however, lease terms were not, resulting in the understatement of assets and liabilities. The staff responsible for data input and review transitioned to other positions in January and February 2023, and new staff were assigned these duties temporarily. In February 2023, a comprehensive review of every lease was completed, and the corrected data was input into the lease accounting system. Training and process review for recording and reporting procedures will continue to ensure data for fiscal year 2023 is accurate and complete. In preparation for implementation of GASB Statement No. 96 – Subscription–Based Information Technology Arrangements, Management is engaging internal control, procurement, and information technology services staff to ensure a full review and proper processing and recordation of software contracts.

With regard to the bond requisition receivable, a receivable entry is generally required to match revenue and expenses. However, Management was informed that the receivable was conditional because the Commonwealth must have received the requisition and approved it. As such, the receivable was removed. For future periods, a receivable will only be entered for these activities if a requisition has been submitted and approved.

With regard to prepayments, Management agrees these should be identified as current and noncurrent. Processes in place for fiscal year 2022 and prior years did not include an analysis to determine this allocation, but procedures have been implemented to do so going forward.

With regard to reporting capital assets and retainage payable, Management is collaborating with the Budget and Procurement Offices and Accounts Payable to ensure invoices are entered to the correct fiscal year and that all capital project activities, including retainage, are tracked and recorded completely. A new position has been created to manage capital project activity specifically, and the search for this position began in March 2023.

With regard to debt liabilities, an Interim Associate Controller began in January 2023. Immediate communication began with the Department of Treasury to request supporting documentation, confirm balances and implement proper reconciliations for outstanding debt balances. This process improvement ensures proper reporting going forward.

With regard to reporting errors of payables, Management collaborated with the Director of Procurement Services who was assigned to oversee Accounts Payable. This collaboration focused on effective controls to address the posting of invoices to the correct fiscal year and determined that processes in place previously were inadequate to ensure proper reporting. Effective March 1, 2023, all invoices entered by Accounts Payable include an entry for the matching fiscal year or the prepayment coverage period. The Director of Procurement Services is working with the Information Technology Services department to create a fiscal year report reflecting the newly added data. This report will complement the newly revised prepayment report which was modified to report the coverage period for each prepayment invoice. These reports will be generated monthly beginning July 31 through the end of audit fieldwork, and adjustments will be made if needed. These reports and processes cover every invoice instead of relying on a sample. An additional validation of prepayments and fiscal year accuracy will be completed by reviewing a sample of all invoices greater than $20,000 between May and June with an additional check for fiscal year accuracy completed on a sample of all invoices between July and December greater than $50,000.

To engage the staff in the review of processes and implementation of improvements, Management implemented weekly general accounting and reporting team meetings, conducted surveys of the full finance team, and organized activities to review areas of concern, refresh expectations, and encourage input from all staff members. Management is focusing on strengthening the understanding of internal controls and their individual roles in ensuring strong financial reporting with general accounting and reporting staff and encouraging collaboration within the team to improve individual processes. Staff have engaged directly with the software consultants to identify options within the accounting system and steps needed to improve reporting and processing. Management reestablished the Assistant Controller position, which was filled in March 2023, and created a Senior Accountant position to realign responsibility, accountability and professional skill sets of the general accounting and reporting team. Management is working closely with the internal control auditor to review documentation of procedures and methodology of key financial reporting processes to enhance the internal control environment.

Management, recognizing the value of outreach, will continue engagement and collaboration with internal and external partners when incorporating new programs and standards as well as reviewing and implementing process improvements.

Improve Controls over Financial Reconciliations

In January 2023, an Interim Assistant Controller was assigned to the Office of Finance, and in March 2023, a permanent additional Assistant Controller was hired. Monthly close schedules are being drafted to ensure timely review and action on outstanding items. As process improvements are implemented, procedure documentation will be updated.

In September 2022, the Interim Controller contracted with an outside consultant to review accounting and reporting processes and procedures specific to capital assets management. In January 2023, the Interim Controller contracted with the same outside consultant for a second engagement focused on implementation of process improvements and controls. This coincided with the transition of the related accounting staff out of the Office of Finance. Currently two consultants and two contractors are assigned to this project. As of March 2023, the engagement is in progress, with a focus on completing the biannual inventory and establishing appropriate records, schedules, and reconciliations. The completion goal date is May 2023.

In February 2023, the Interim Controller assigned two accounting contractors to review the non-capital reconciliations for fiscal year 2023. The focus is to bring reconciliation review up to date, thoroughly investigate and document all reconciling items, and determine appropriate actions as necessary. This project is ongoing with a completion goal date of June 2023.

During June 2022, former management in the Office of Finance drafted a plan to reverse the monthly realignment entry process in place in fiscal year 2022 and prior years in one of the bank reconciliations. Upon implementation, the attempt created reporting discrepancies elsewhere in the system. The actions were reversed, and the project was put on hold to allow staff to focus on year end close processes and reporting. In February 2023, Management renewed focus on these issues, and in March 2023, determined the causes of the perceived need for the realignment entries in two of the accounts. Analysis of process changes to eliminate those entries is underway. The completion goal date for reconciliation of prior entries and process updates is June 2023.

Improve Accounting for Accounts Payable

As noted previously, Management collaborated with the Director of Procurement Services who was assigned to oversee Accounts Payable to address this particular concern. The Director of Procurement Services analyzed processes in place and implemented invoice fiscal year identification within the system for each invoice entered by Accounts Payable. This change was effective March 1, 2023. The Director of Procurement Services is working with the Information Technology Services department to ensure effective reporting is in place to utilize this data in analyzing fiscal year accuracy. This process improvement will cover every invoice instead of relying on a sample. Reports will be generated monthly beginning July 31 through the end of audit fieldwork to ensure accurate reporting. Additional verifications of fiscal year accuracy will be completed by first sampling all invoices greater than $20,000 between May and June and second sampling of all invoices between July and December greater than $50,000 to ensure proper recording.

Improve Controls over Capital Asset Inventory

As noted previously, in September 2022, Management contracted with an outside consultant to review accounting and reporting processes and procedures specific to capital assets management. In January 2023, Management contracted with the same outside consultant for a second engagement focused on implementation of process improvements and controls. This coincided with the transition of the related accounting staff out of the Office of Finance. The engagement is in progress, with a focus on completing the biannual inventory and implementing process improvements by May 2023.

Promptly Return Unearned Title IV Funds to Department of Education

The Office of Student Financial Aid has updated its procedure to Promptly Return Unearned Title IV Funds with the addition of three (3) steps. First, Financial Aid personnel working the Return of Title IV Funds have coordinated with Registrar personnel to expediate the update of the Banner System withdrawn coding to facilitate more efficient processing. Second, the Financial Aid ITS team has provided an additional report external to Banner to assist with timely completion of the Return to Title IV processing. Third, a review of COD to ensure returns are accurately logged in the Federal system is completed.

For Unofficial withdrawals office calendars are notated with the last day for faculty to submit grades. At this date, Registrar personnel will be advised to update the appropriate records for unofficial withdrawal calculations. Once these updates are completed, Office of Student Financial Aid Staff will complete the return calculations. Again, there will be a review of COD to ensure returns are accurately logged in the Federal system.

A comprehensive Ellucian engagement has been scheduled to review and ensure all available Banner resources have been applied to the Return of Title IV Funds processing. The Ellucian engagement is scheduled to begin April 2023.

In the meantime, the ongoing corrective action involves reviewing the 'Institutional Charges Detail Information' from Banner. If there are no Original Institutional Charges the 'Original Charge' box is manually updated for each charge. This action adds the charges to the Return of Title IV Funds calculation to facilitate the R2T4 calculations.

We appreciate the guidance provided by your office and the opportunity this audit provided to examine and confirm ongoing improvements to practices which will better position the University for the future. Many managerial changes have been instituted since July 2022. University and Management value the necessity of internal controls, and this has been a dominant focus of our work. We are eager to finalize our operational enhancements in advance of our next engagement. We would like to thank you and your staff for the valuable services that you provide.

Sincerely,

Chad A. Reed
Vice President for Administration & Finance
and Chief Financial Officer

OLD DOMINION UNIVERSITY

As of June 30, 2022

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