

RADFORD UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of Radford University for the year ended June 30, 2008, found:

- the financial statements are presented fairly, in all material respects;
- an internal control matter necessary to bring to management's attention;
- no instances of noncompliance or other matters required to be reported; and
- the University has not yet completed corrective action with respect to the previously reported finding "Strengthen Controls for Reporting Capital Assets". Accordingly, we have repeated the aspects of the finding that have not been corrected, in the finding "Strengthen Controls over Capital Projects and Capital Assets" in this report. The University has taken adequate corrective action with respect to findings reported in the previous year report that are not repeated in this report.

We have audited the basic financial statements of Radford University as of June 30, 2008, and for the year then ended and issued our report thereon dated April 13, 2009. Our report, included with 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 web site at www.radford.edu.

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INTERNAL CONTROL FINDING AND RECOMMENDATION

Strengthen Controls over Capital Projects and Capital Assets

In our last audit report, we recommended that University Financial Reporting staff review building construction projects to ensure that the financial statements properly included all completed projects as Buildings and not as Construction in Process. At June 30, 2008, although the University had placed the Student Union Building and Russell Hall into use, the financial statements showed these assets valued at \$14.2 million as Construction in Process.

Since the Financial Reporting staff did not correct this error, they also did not record depreciation of \$177,567 in the financial statements. Financial Reporting staff did not completely improve their procedures after our recommendation, but still relied upon Facilities Planning and Construction to close out capital projects before recording completed projects as Buildings in the financial statements.

Facilities Planning and Construction staff did not promptly close out these two capital projects. The Student Union Building opened in August 2005. However, close out did not occur until September 2008 which resulted in inaccurate financial statements for the last three years. The Russell Hall Renovation was substantially complete in July 2007 and as of March 2009 remained as an open project.

The Commonwealth's Department of General Services' Construction and Professional Services Manual requires the University to complete the Project Completion Report which officially closes out a project as promptly as practical after substantial project completion. While we recognize that occasionally there may be a reason to delay project close out, we recommend that the University follow best practices and close out projects within twelve months after substantial completion.

University senior management must directly ensure the full implementation of our recommendation from the last audit to improve policies and procedures in capital asset reporting. Without proper controls over compliance, financial reporting, and capital projects close out, the University cannot demonstrate proper management over finance, administration, and capital outlay which is required for enhanced responsibility under the Restructured Higher Education Financial and Administrative Operations Act.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

April 13, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
Radford University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited 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, 2008, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 13, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with 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. 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 unit 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, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency entitled "Strengthen Controls over Capital Projects and Capital Assets", described in the section titled "Internal Control Findings and Recommendations" to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The University's response to the findings identified in our audit is included in the section titled "University Response." We did not audit the University's response and, accordingly, we express no opinion on it.

Status of Prior Year Findings

The University has not yet completed corrective action with respect to the previously reported finding "Strengthen Controls for Reporting Capital Assets". Accordingly, we have repeated the aspects of the finding that have not been corrected in the finding "Strengthen Controls over Capital Projects and Capital Assets" in this report. The University has taken adequate corrective action with respect to findings reported in the previous year report that are not repeated in this report.

Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on April 16, 2009.

AUDITOR OF PUBLIC ACCOUNTS

JHS/clj



OFFICE OF THE PRESIDENT
PENELOPE W. KYLE

April 24, 2009

Mr. Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Mr. Kucharski:

I write this letter to respond to the internal control finding and recommendation issued to Radford University following the recent audit of the University's June 30, 2008 financial statements.

Strengthen Controls over Capital Projects and Capital Assets:

The University will fully complete its review of policies and procedures in the capital reporting process. Policies and procedures will be revised to ensure accurate and complete reporting of capital assets in the annual financial statements including the proper transfer of constructed assets from construction in process to the appropriate capital asset account upon substantial completion or occupancy. This review will be completed by August 1, 2009.

The University will strive to close out projects within the required timeframe. Effective immediately, the University will implement procedures to ensure the reason(s) for any capital projects held open beyond the required close-out date are documented in detail, approved by senior management, and maintained in the capital project file.

I would like to thank you and your staff for the valuable services you provide. Radford University takes seriously its financial stewardship role.

Sincerely,

A handwritten signature in black ink that reads "Penelope W. Kyle". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Penelope W. Kyle
President

Copy: Evelyn Wilson, Associate Vice President for Finance and Administration
Bill Shorter, University Controller
Margaret McManus, University Auditor

RADFORD UNIVERSITY
Radford, Virginia

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