

**RADFORD UNIVERSITY**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2009**



## **AUDIT SUMMARY**

Our audit of Radford University for the year ended June 30, 2009, found:

- the financial statements are presented fairly, in all material respects, with generally accepted accounting principles;
- a certain matter that we consider to be a significant deficiency in internal control; however, we do not consider it to be a material weakness; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards

We have audited the basic financial statements of Radford University as of June 30, 2009, and for the year then ended and issued our report thereon, dated April 14, 2010. Our report, included in Radford University's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and Radford University's website at [www.radford.edu](http://www.radford.edu).

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## **INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS**

### **Improve Financial Statement Preparation Process**

During the audit, we identified financial statement and disclosure misstatements, misclassifications, and errors, which required significant changes to the University's original financial statements submitted to the State Comptroller. Management should have detected many of these errors had a strong internal quality review process been in place during the preparation of the financial statements. Financial reporting staff do not have a review process in place to determine that the financial statements are accurate and reasonable.

We recommend that the University improve its financial statement preparation process by documenting a complete set of procedures to prepare and review the financial statements. Financial reporting staff should analyze how each account in the accounting system flows into financial statement line items and correct all instances of incorrect mapping.

The financial reporting staff should determine how and when it will obtain information from other departments, and how it will determine the accuracy of the information before inclusion in the financial statements. Financial reporting management should complete an analytical review comparing expectations against actual results to ensure the reasonableness of the financial statements and help detect errors and misstatements.

Additionally, financial reporting management should perform a review of all manual adjustments to reduce the risk of error. The University should also continue to work with the financial system vendor and other state universities using Banner to improve the financial statement preparation process.

### **Improve Pell Disbursement Reporting and Reconciliation Process**

The University is not entering information on a timely basis to Department of Education's Common Origination and Disbursement (COD). COD is a method for processing, storing, and reconciling financial aid data; however, it does not make the actual disbursements to the recipients.

During fiscal year 2009, Financial Aid personnel did not enter all Pell disbursements to COD within the required timeframe. This resulted in the untimely reporting of disbursements for 740 and 22 students respectively for fall 2008 and spring 2009.

In addition, Financial Aid personnel were not performing monthly reconciliations between Banner and COD to identify potential discrepancies. Per 34 CFR 690.66, Federal Pell Grant Program Disbursements, "An institution must submit Federal Pell Grant, ACG, National SMART Grant, and Direct Loan disbursement records no later than 30 days after making a disbursement or becoming aware of the need to adjust a student's disbursement."

By not entering information timely to COD, the University is not complying with federal reporting requirements, and management should perform a stringent review of their current Banner Policies and Procedures for reporting Pell disbursements to COD and implement corrective measures to report all disbursements within 30 days as required by federal regulations. Management should also ensure that Financial Aid personnel are performing monthly COD reconciliations; and, researching and resolving any discrepancies.



# Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

April 14, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable M. Kirkland Cox  
Chairman, 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 the financial statements of the business-type activities and aggregate discretely presented component unit of **Radford University** as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 14, 2010. 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 was 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 discussed below, we identified a certain 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 "Improve Financial Statement Preparation Process" described in the section titled "Internal Control and Compliance 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 none of the significant deficiencies described above are material weaknesses.

#### 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 one instance of noncompliance that is required to be reported under Government Auditing Standards. The instance of noncompliance entitled "Improve PELL Disbursement Reporting and Reconciliation Process" is described in the section titled "Internal Control and Compliance Findings and Recommendations."

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 Findings

The University has taken adequate corrective action with respect to audit findings, as reported in the prior year.

#### 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 20, 2010.

AUDITOR OF PUBLIC ACCOUNTS

SJJ/alh



OFFICE OF THE PRESIDENT  
PENELOPE W. KYLE

April 28, 2010

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 findings and recommendations issued to Radford University following the recent audit of the University's June 30, 2009 financial statements.

Improve Financial Statement Preparation Process:

The University will improve its financial statement preparation process by documenting a complete set of procedures to generate and review the annual financial statements. Each account will be analyzed as to how it flows into the financial statement line items to ensure correct mapping within the Banner GASB Reporting Module. Information in the financial statements obtained from other departments will be reviewed to determine when and how the information is obtained as well as how to determine the accuracy of the information prior to being included in the financial statements. Appropriate analytical reviews will be implemented to determine the reasonableness of the information and to help detect errors and misstatements. All manual adjustments to the financial statements will be reviewed by the Manager of Financial Reporting and/or the University Controller. The University Controller will ensure that the improvements to the financial statement process are completed within the next financial reporting cycle, which will conclude October 15, 2010.

Improve Pell Disbursement Reporting and Reconciliation Process:

The University has revised its procedures to ensure that Pell grant disbursements are reported to the Department of Education Common Origination and Disbursement (COD) within the required timeframe of 30 days. Additionally, procedures are now in place to ensure that a monthly reconciliation between the University's financial aid system (Banner) and COD is performed. The Director of Financial Aid is responsible for these corrective actions which were implemented November 30, 2009.

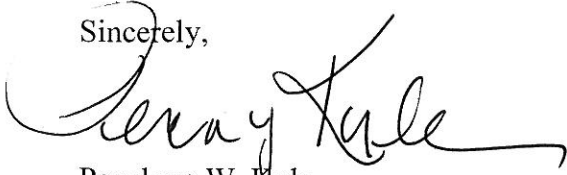
Mr. Walter J. Kucharski

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April 28, 2010

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 dark ink, appearing to read "Penelope W. Kyle". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Penelope W. Kyle  
President

Copy: Joseph P. Scartelli, Interim Provost/Vice President for Academic Affairs  
Richard S. Alvarez, Chief Financial Officer/Vice President for Finance & Administration  
Steven W. Nape, Vice Provost for Enrollment Planning & Management  
Evelyn C. Wilson, Associate Vice President for Finance and Administration  
Margaret D. McManus, University Auditor  
Barbara A. Porter, Director of Financial Aid  
William H. Shorter, University Controller



RADFORD UNIVERSITY  
Radford, Virginia

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