



# OLD DOMINION UNIVERSITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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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, 2021, and issued our report thereon, dated June 28, 2022. Our report, included in the 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 at the University's website at [www.odu.edu](http://www.odu.edu). Our audit of the University for the year ended June 30, 2021, 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; one is considered to be a material weakness; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal programs of the Education Stabilization Fund and Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Compliance Supplement and found internal control deficiencies requiring management's attention and instances of noncompliance in relation to Student Financial Assistance Programs Cluster testing.

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Improve the Financial Reporting Process**

**Type of Finding:** Internal Control

**Severity:** Material Weakness

**Repeat:** No

The University's Office of Finance (Finance) does not have adequate internal controls over its financial reporting process to prevent or detect and correct a material misstatement in the financial statements on a timely basis. During our review, we found management made numerous errors that required material adjustments to the financial statements to ensure account balances and related activity was materially correct and in alignment with generally accepted accounting principles (GAAP) for the period ending June 30, 2021. In summary, based on our review, management made the following significant adjustments to the financial statements:

- Total assets increased by \$18.5 million due to Finance understating capital assets and accounts receivable; deferred outflows decreased by \$4.5 million and noncurrent liabilities by \$5.4 million, offset by an increase of \$1.6 million in deferred inflows due to Finance not accurately accounting for debt refundings. Additionally, current liabilities increased by \$11.8 million due to Finance understating unearned revenue. Total net position increased by a net of \$5.9 million.
- Restricted net position expendable for scholarships and fellowships, research, and capital projects decreased by \$23.7 million, while restricted net position for departmental uses and net investment in capital assets increased by \$16.1 million and \$26.5 million respectfully due to Finance misclassifying fund balances and to reflect the net position impact of other audit adjustments. Further, unrestricted net position decreased by \$17.1 million.
- Total operating revenues and expenses decreased by \$44.8 million and \$34.6 million respectively, while non-operating revenue increased by \$15.6 million, primarily due to Finance not properly accounting for funding received as part of the Coronavirus Aid, Relief, and Economic Security Act.
- Net cash used/provided by operating activities, investing activities, and non-capital financing activities increased by \$25.9 million, \$1.8 million, and \$33.4 million respectively, while net cash used by capital financing activities decreased by \$5.3 million primarily due to Finance not accurately reporting cash flows associated with equipment trust fund receivables and other manual adjusting entries and to reflect the cash flow impact of other audit adjustments.

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. Management's overreliance on system-generated reports, inefficient financial statement compilation processes, lack of thorough review and analysis, and turn-over of staff in key financial reporting positions contributed to the audit adjustments we identified during

our review. As the adjustments depict, management's current internal control environment associated with the financial reporting process did not detect, prevent, or correct material misstatements in a timely manner, hence, we consider this a material weakness in internal control.

Management should review the University's current financial reporting process to identify efficiencies. Management should also strengthen the review process by performing periodic reviews while compiling the financial statements. Lastly, when there are new programs and funding sources affecting the operations of the University, management should communicate with the applicable divisions within the University and perform outreach as necessary to ensure the correct financial reporting.

### **Strengthen Policies and Procedures Related to Terminated Employees**

**Type of Finding:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University direct supervisors are not notifying the University's Department of Human Resources (Human Resources) of employee separations timely nor are direct supervisors completing the termination checklist timely. For a sample of 25 terminated employees reviewed, direct supervisors completed termination checklists for four employees between six and 19 days after termination. For two of these employees, the supervisor did not notify Human Resources of the employee's separation until two to 12 days after termination. Additionally, three of 21 terminated employees with access to the Commonwealth's purchasing system continued to have access from two to six days after separation.

University Policy #6060 Separation Process for Faculty and Staff, Part F, states that it is the responsibility of the hiring supervisor to notify Human Resources about the separation of an employee immediately after receiving a separation notice from an employee. It is then Human Resource's responsibility to provide the supervisor with an email referencing the termination checklist to ensure that the hiring supervisor is aware of their responsibilities associated with the separation process. Additionally, the Commonwealth's Information Security Standard (Security Standard), SEC 501, PS-4, requires users to disable information system access within 24 hours of employment termination. The University's existing policy does not include a definitive timeframe for Human Resources to send required email communications and activate the Banner termination checklist upon receipt of a separation notification nor is there a timeframe for how long the hiring supervisor has to complete the checklist.

Without proper and sufficient timeframes for processing terminated employees, there is an increased risk that terminated employees will not return Commonwealth property timely, may retain physical access to restricted areas, and/or may retain unauthorized access to state systems and sensitive information. Further, untimely deletion of access to systems can expose the University to inappropriate activity by individuals no longer employed by the institution.

Management should enforce University Policy #6060 Separation Process for Faculty and Staff to ensure supervisors notify Human Resources of employee separations immediately. Management should

also revise the policy to include a timeframe for Human Resources to begin the termination workflow process in Banner and send all required email communications upon receipt of an employee separation notification. The revised policy should also reflect a timeframe for the direct supervisor to complete the termination checklist and the system administrator to remove system access. Upon revision of the policy, management should ensure Human Resources and supervisors adhere to the policy.

#### **Improve Controls over Residential System Access**

**Type of Finding:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University's Technology Support personnel (Technology Support) granted inappropriate access to the residential and housing system (System). We reviewed seven out of 13 access levels and found 181 (83%) users had inappropriate access based on their job function. Of the 181 users, 171 had access to an administrative role due to Technology Support granting access to over 100 resident assistants, which is not an allowable position for a user with this elevated access level.

The University's Information Technology Standard 04.2.0 Account Management Standard requires the University to use the standard security principle of "least privilege" when issuing system access. It further states that account users should not have any more privileges than those that are necessary for the functions the user will be performing. In addition, the Commonwealth's Security Standard, Section 8.1 AC-6, requires that management grant access rights only to users with job responsibilities that require those rights. Improper access to the System could lead to improper or unauthorized changes that could possibly compromise sensitive information and have an indirect impact on financial activity included in the financial statements.

As of fiscal year 2022, Technology Support reviewed access to the System and has removed 400 user roles with inappropriate access. Moving forward, Technology Support should grant access based on the least privilege principle to ensure users only have access to system functionalities that align with their job functions.

#### **Promptly Return Unclaimed Aid to the Department of Education**

**Type of Finding:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University Student Financial Aid Office personnel did not return unclaimed student financial aid funds to the U. S. Department of Education (ED) within the required timeframe. Specifically, at the time of audit, Student Financial Aid Office personnel did not return a total of \$79,058. The underlying cause of the errors is due to a staff shortage in fiscal year 2021, leading the University to overlook 65 checks in the due diligence process.

In accordance with 34 CFR 668.164(l), if an institution attempts to disburse funds by check and the recipient does not cash the check, the institution must return the funds no later than 240 days after

the date it issued that check or no later than 45 days after the rejection of an electronic funds transfer (EFT). Not returning funds timely can result in federal noncompliance and subject the University to potential adverse actions affecting the University's participation in Title IV aid programs.

If the University is unable to successfully contact the federal aid recipient and the check remains uncashed or the EFT is rejected, the University should return the unclaimed funds to ED within the required timeframe.

#### **Promptly Return Unearned Title IV Funds to Department of Education**

**Type of Finding:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University personnel did not consistently return Title IV funds to ED within the required timeframe. The primary cause for the noncompliance is attributable to staffing challenges during aid year 2021 in both the Financial Aid and Registrar Offices as well as transitioning to a remote work environment. For 11 out of 21 students reviewed (52%), the date of return of unearned funds is greater than 45 days after the date of determination.

In accordance with 34 CFR section 668.21(b), the institution must return those funds that it is responsible for as soon as possible, but no later than 45 days after the date that the institution becomes aware that a student has withdrawn. By not returning funds timely, the University 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 review current procedures and resources. In addition, management should implement corrective measures to ensure business continuity and return unearned Title IV funds to ED in a timely manner thus preventing future noncompliance.

#### **Improve Compliance over Enrollment Reporting**

**Type of Finding:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University Registrar's Office personnel did not report accurate and/or timely enrollment data to ED using the National Student Loan Data System (NSLDS) for students that had withdrawn or had an enrollment level change. The underlying cause of the errors is a combination of factors, including date/time stamp programming language errors, a keying error, and a lack of students providing identifying data, which correspond to a field used to update NSLDS. For enrollment status changes other than graduated or withdrawn statuses, the effective date discrepancies resulted at the program reporting level. From a review of 50 students, we identified the following deficiencies:

- The enrollment status was inaccurate for nine students (18%);

- the effective date was inaccurate for 18 students (36%);
- ODU did not report enrollment status changes timely for 11 students (22%); and
- at least one campus or program level field deemed critical was inaccurate for 18 students (36%).

In accordance with 34 CFR § 685.309, Dear Colleague Letter GEN12-06, and further outlined in the ED's NSLDS Enrollment Guide, the institution must report enrollment changes to NSLDS within 30 days when attendance changes, unless the institution submits a roster file within 60 days. Not properly and accurately reporting a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data reported by each institution is vital to ensuring that federal Direct Loan records and other federal student records remain updated.

Registrar's Office personnel should perform a comprehensive review of current enrollment reporting processes to ensure accurate and timely submissions to NSLDS. Management should implement corrective action to prevent future noncompliance and should consider enhancing its quality control review process for monitoring the accuracy of submitted enrollment batches.

#### **Properly Complete Exit Counseling for Federal Direct Loan Borrowers**

**Type of Finding:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

University Financial Aid Office personnel did not consistently confirm that all federal Direct Loan borrowers who have graduated or withdrawn received exit counseling materials in accordance with federal requirements. From a review of 25 students, we identified three borrowers (12%) where the Financial Aid Office did not provide the required exit counseling materials to the borrower's last known address or an alternate email address when he or she had not completed exit counseling. The underlying cause is that, per policy, University personnel only notify borrowers of the exit counseling requirement through the University email address.

In accordance with 34 CFR § 685.304(b)(3), if a student borrower withdraws from a school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete the exit counseling as required, be provided either through interactive electronic means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials. By not performing this function, students may not receive the relevant information related to repayment of their student loans.



The Financial Aid Office should enhance current procedures related to sending exit counseling materials to federal Direct Loan borrowers and ensure it notifies all applicable borrowers of exit counseling requirements through a non-University email address, by mail at the student's last known address, or by interactive electronic means.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

June 28, 2022

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, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated June 28, 2022. 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 University's component units, 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 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 opinion 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 section entitled “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 “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 “Strengthen Policies and Procedures Related to Terminated Employees,” “Improve Controls over Residential System Access,” “Promptly Return Unclaimed Aid to the Department of Education,” “Promptly Return Unearned Title IV Funds to Department of Education,” “Improve Compliance over Enrollment Reporting,” and “Properly Complete Exit Counseling for Federal Direct Loan Borrowers,” 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled “Internal Control and Compliance Findings and Recommendations” in the findings titled “Strengthen Policies and Procedures Related to Terminated Employees,” “Improve Controls over Residential System Access,” “Promptly Return Unclaimed Aid to the Department of Education,” “Promptly Return Unearned Title IV Funds to Department of Education,” “Improve Compliance over Enrollment Reporting,” and “Properly Complete Exit Counseling for Federal Direct Loan Borrowers.”

### **The University's Response to Findings**

We discussed this report with management at an exit conference held on May 31, 2022. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University'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.

### **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

*Office of the Vice President for Administration and Finance*



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July 29, 2022

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 ended June 30, 2022, that were discussed during the financial statement audit exit conference.

Old Dominion University acknowledges and agrees with the findings and recommendations. Immediate and ongoing corrective action has been undertaken to address issues noted, and the applicable offices will continuously review their policies and procedures to ensure operating effectiveness. Please see below for management's response to each finding.

**Improve Financial Reporting Process**

Management takes very seriously our 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. Finance staff have identified and implemented adjustments to the financial reporting process since January 2022 to improve the accuracy of the statements. Additional analysis and review will be conducted at the transaction level through the year-end reporting process. This will include increased methodology documentation and more robust flux analyses throughout the reporting period.

While system-generated reports may provide efficiencies and a reduction in human-generated error, management is working on effective data validation steps to mitigate the risk of error which may be caused by an over reliance on system-generated reports.

Management, recognizing the value of outreach, will expand engagement with internal and external partners when incorporating new programs and new funding sources in the reporting process. We appreciate the guidance provided during the audit process.

**Strengthen Policies and Procedures Related to Terminated Employees**

The Department of Human Resources will revise University Policy #6060 Separation Process for Faculty and Staff to include timeframes for completion of the termination checklist by the direct supervisor and the system administrator. In addition, timeframes will be incorporated on the

initial and overdue notifications that are sent to the supervisors and system administrators. Human Resources will ensure supervisor compliance with the policy.

#### **Improve Controls over Residential System Access**

Housing and Residence Life removed 400 user roles with inappropriate access and will grant access, moving forward, based on the least privilege principle to ensure users only have access to system functionalities that align with their job duties. Housing and Residence Life has implemented monthly monitoring for all user and group levels. A StarRez user tracking standard operating procedure has been drafted and will be implemented in full as soon as possible to monitor and adjust access when staff changes occur. The Housing and Residence Life Technology Support Person and the Director for Business Operations will monitor these processes for compliance.

#### **Promptly Return Unclaimed Aid to the Department of Education**

The General Accounting Department in the University Office of Finance reviews all undeposited aid payments monthly. Attempts are made to contact students with undeposited payments, and if not successful, the funds are to be returned to the Department of Education within the 240-day compliance window. While corrective actions have been taken since early 2022, the University Office of Finance and the University Student Financial Aid Office will partner to develop more appropriate controls and processes to ensure compliance.

#### **Promptly Return Unearned Title IV Funds to Department of Education**

Procedures were reviewed in early 2022, and corrective actions were taken. The external systems team identified and incorporated two complementary automated reporting processes, one weekly and one at least once a month, to ensure all relevant data is captured and acted upon in a timely manner. All unearned Title IV funds have been returned to the Department of Education.

#### **Improve Compliance over Enrollment Reporting**

Enrollment reporting involves the generation of files intended to automate the process of providing the enrollment file without human intervention. Management is engaging the external system team to review the enrollment reporting business processes used by the Registrar's Office to address the identified errors and to determine if additional processes contain defects which will also need to be addressed. Due to a backlog in projects, the engagement is set to begin in August 2022. Internally, a stricter quality control process over enrollment reporting has been implemented.

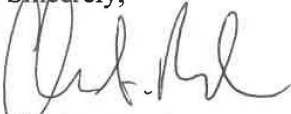
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July 29, 2022  
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**Properly Complete Exit Counseling for Federal Direct Loan Borrowers**

The Financial Aid Office mails exit counseling materials to students' permanent addresses. Additional reports have been created to identify withdrawn or failing students at the end of each term and exit materials will first be sent to the student's university email address. If the exit process is not completed, notifications are sent to the student's personal email and/or mailing address. Corrective actions completed as of February 28, 2022.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Chad A. Reed", is written over the word "Sincerely,".

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

## OLD DOMINION UNIVERSITY

As of June 30, 2021

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