



CHRISTOPHER NEWPORT UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2016

Auditor of Public Accounts
Martha S. Mavredes, CPA

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AUDIT SUMMARY

We have audited the basic financial statements of Christopher Newport University as of and for the year ended June 30, 2016, and issued our report thereon, dated February 24, 2017. Our report, included in the University's Financial Statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.cnu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over federal Student Financial Aid performed in accordance with the U.S. Office of Management and Budget Uniform Guidance Compliance Supplement; and found one internal control finding and an instance of noncompliance requiring management's attention.

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STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Improve Server Operating System Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Partial

Christopher Newport University (University) is making satisfactory progress to address a weakness communicated in our prior year report related to server operating system controls; however, the corrective action remains in progress. Specifically, the University plans to implement a new server operating system that should reduce the remaining risk related to least functionality to a reasonable level and better align the controls with industry best practices. Best practices, such as the Center for Internet Security benchmarks, recommend specific server operating system configuration settings to better protect information technology resources.

The University plans to conduct the server operating system implementation and finalize corrective action by the end of the spring 2017 semester. The fiscal year 2017 audit will include an evaluation of the University's corrective action and determine whether the University satisfactorily resolved the weakness.

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Database Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University does not secure a sensitive system's supporting database with some minimum security controls required by the Commonwealth's Information Security Standard, SEC 501-09 (Security Standard), and industry best practices.

We communicated the control weaknesses to management in a separate document marked Freedom of Information Act (FOIA) Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires the implementation of certain controls that reduce unnecessary risk to data confidentiality, integrity, and availability in systems processing or storing sensitive information. By not meeting the minimum requirements in the Security Standard and aligning the database's settings and configurations with best practices, the University cannot ensure the confidentiality, integrity, and availability of data within the database.

The University should dedicate the necessary resources to implement the controls discussed in the communication marked FOIA Exempt in accordance with the Security Standard in a timely manner.

Improve Enrollment Reporting Process

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University did not accurately report student status changes to the National Student Loan Data System (NSLDS) in accordance with the Higher Education Act of 1965 (HEA) and the NSLDS Enrollment Reporting Guide. The Office of the Registrar did not accurately report the withdrawal dates of four out of twelve award recipients reviewed. Additionally, the Registrar did not report the change in status for one of these recipients until 119 days after the date of withdrawal.

The provisions of the HEA, the Department of Education's regulations in 34 CFR §674.19, §682.610, §685.309 and §690.83, and related guidance, require schools to confirm and report the enrollment status of students who receive Title IV federal student aid. In accordance with the NSLDS Enrollment Reporting Guide Section 2.4, schools must match the Enrollment Reporting Roster file received from NSLDS to student records maintained at the school. For each record, the school must confirm either that the current information provided by NSLDS is still valid or update the enrollment

status to the correct value. After the school validates all enrollment records as correct or updates them as appropriate, the school or servicer returns the file to NSLDS. Additionally, per Section 4.4.2 of the Enrollment Reporting Guide, schools should take advantage of existing withdrawal procedures to report withdrawals to NSLDS as soon as possible. Finally, Section 3.3 of the Enrollment Reporting Guide, states that schools that use an Enrollment Reporting Servicer such as the National Student Clearinghouse (NSC), have primary responsibility for submitting timely, accurate, and complete responses to Enrollment Reporting roster files, and for reporting any changes in student enrollment status in a timely manner with the school.

Currently, the University does not have a formal process in place to compare the NSLDS roster file to the student records in Banner in order to identify inaccuracies prior to submission. Additionally, there is not a process for reporting withdrawals to the NSC/NSLDS. Instead, the University relies on error reports generated by NSC to identify differences between submissions such as a student appearing on one report but not appearing on the next report. The Registrar's Office then reviews and manually corrects these errors prior to re-submitting the enrollment report. As the NSC error reports do not compare student record submissions in Banner, the error reports will not always catch inaccuracies in student status or data, such as withdrawal dates.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods as well as for the Department of Education's payment of interest subsidies to Federal Family Education (FFEL) program loan holders. The accuracy of Title IV student loan records depends heavily on the accuracy of the enrollment information reported by schools. Schools must review, update, and verify student enrollment statuses, effective dates of the enrollment status, and anticipated completion dates in order to ensure the accuracy of the student loan records maintained by the NSLDS.

The Office of the Registrar should develop a procedure to compare the provided NSLDS Enrollment Reporting roster file to student records in Banner and correct the file prior to submission. Management should consider developing an automated matching process that would perform the comparison and highlight any discrepancies between the two data sets. This would allow the University to accurately report status changes and effective dates of those status changes in a timely manner, in accordance with the NSLDS Enrollment Reporting Guide.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 24, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Christopher Newport 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 **Christopher Newport University** (the University) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated February 24, 2017. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the 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 of the financial statements, we considered the University's internal control over financial reporting to determine the 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting entitled "Improve Server Operating System Security," "Improve Database Security," and "Improve Enrollment Reporting Process," which are described in the sections titled "Status of Prior Year Findings and Recommendations" and "Internal Control and Compliance Findings and Recommendations," that we consider 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 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the sections titled "Status of Prior Year Findings and Recommendations" and "Internal Control and Compliance Findings and Recommendations" in the findings entitled "Improve Server Operating System Security," "Improve Database Security," and "Improve Enrollment Reporting Process."

The University's Response to Findings

We discussed this report with management at an exit conference held on February 28, 2017. 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.

Status of Prior Findings

The University has made progress in addressing the previously reported finding “Improve Server Operating System Security,” but has not fully completed implementation of its corrective action plan for the finding. Accordingly, we included this finding in the section entitled “Status of Prior Year Findings and Recommendations.”

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

LDJ/clj

February 27, 2017

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

Dear Ms. Mavredes:

Christopher Newport University has reviewed the findings and recommendations provided by the Auditor of Public Accounts for fiscal year ended June 30, 2016. The University appreciates the effort and hard work the APA auditors put towards the audit this year and has the following response to the Internal Control and Compliance Matter:

Internal Control and Compliance Matters

Improve Database Security

The University will ensure that the necessary resources are dedicated to implement the controls, as discussed in the communication marked FOIA Exempt in accordance with the Security Standard, in a timely manner.

Improve Enrollment Reporting Process

The Office of the Registrar has corrected noted dates and has implemented automated reporting to the National Student Clearinghouse by extracting student withdrawal dates directly from the student information system. This automation streamlines the reporting process and strengthens the timeliness and accuracy of reporting to both the Clearinghouse and the National Student Loan Data System.

Sincerely,



William L. Brauer
Executive Vice-President

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CHRISTOPHER NEWPORT UNIVERSITY

As of June 30, 2016

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