

RADFORD UNIVERSITY

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2011**



AUDIT SUMMARY

Our audit of Radford University for the year ended June 30, 2011, found:

- The financial statements are presented fairly, in all material respects, with generally accepted accounting principles;
- A matter involving internal control requiring Management's attention; however, we do not consider it to be a material weakness; and
- No instances 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, 2011, and for the year then ended and issued our report thereon, dated December 13, 2011. Our report, included in Radford University's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and Radford University's website at www.radford.edu.

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INTERNAL CONTROL FINDING AND RECOMMENDATION

Improve Banner System Access Controls

Radford granted certain employees access to forms within the Banner system whose essential job functions do not require access to those forms. Radford's Security Standard used to govern systems security for all internal and external IT systems states the University will "Grant IT system users' access to IT systems, networks and data based on the principle of least privilege".

We identified a number of forms in Banner with critical controls or access to change information that affects a wide number of transactions. Our review found the following control weaknesses.

- Four employees who have no responsibility for establishing and updating tuition and fee rates have modification access to tuition rate tables. These individuals included cashiers in the Student Accounting office. Granting these privileges to those responsible for receipting tuition results in a lack of segregation of duties between billing and receipting. While we noted that cashiers had system privileges to change tuition and fee tables we did not identify any changes outside of the Board approved tuition rates for the fiscal year.
- Ten employees with no responsibility for establishing and updating fee rates have modification access to the fee table. This table sets University-wide fees such as student housing rates and meal plan rates. While we noted individuals who had improper system privileges to change fee tables we did not identify any changes outside the Board approved boarding rates for the fiscal year.

These forms allow users to perform business-critical functions within the Banner application. The University allowed this access because personnel had not identified the forms in question as sensitive forms during the access approval or review processes. Allowing employees improper access to update forms within the Banner application reduces management's ability, in the normal course of performing their assigned functions, to prevent, or detect and correct errors.

We acknowledge that the University took immediate action to remove the access privileges granted to these users once identified, but the University should improve the effectiveness of its annual application access reviews in order to prevent these weaknesses in the future. The University may wish to enhance those reviews by performing them more often, providing additional training to those individuals tasked with making determinations of the reasonableness of system privileges, or any combination of the two.

In addition, the University is not removing access from Banner timely. Two terminations evaluated did not have their access removed until nearly thirty days after the employee left the University.

Finally, Radford grants the ability to both enter and approve journal entries to a limited number of users. These privileges are necessary due to the responsibilities of those with permissions; however there should be no journal entries entered directly to the operating ledger without some oversight, except in the event of an emergency. While our review of all journal vouchers entered and approved by the same user during fiscal year 2011 found no inappropriate transactions, the unchecked capability presents an internal control weakness to the University. We recommend management implement a periodic edit report to be reviewed by an individual outside of those with enter and approve access to review transactions entered and approved by the same user for reasonableness.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 13, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
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 **Radford University** as of and for the year ended June 30, 2011, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 13, 2011. Our report includes 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

Management of the University is responsible for establishing and maintaining effective 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting entitled “Improve Banner System Access Controls”, which is described in the section titled “Internal Control Finding and Recommendation,” that we consider to be a significant deficiency in internal control over financial reporting. 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.

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.

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.

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 January 19, 2012.

AUDITOR OF PUBLIC ACCOUNTS

AWP/clj



PENELOPE W. KYLE
PRESIDENT

January 20, 2012

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, 2011 financial statements.

Improve Banner System Access Controls:

As noted in the finding, the University took immediate action to remove the specific access privileges granted to the users identified. The specific areas of concern noted were with Banner system forms that serve a financial function within Banner. The Controller and Associate Controller in Financial Services have undertaken a project to review the forms and employees assigned to each of the Finance security classes for appropriateness and proper segregation of duties. This project will be completed by July 1, 2012.

Relative to the two terminated employees, the reason for the untimely removal of access was due to the fact that the terminated employee's department did not provide timely notice to Human Resources via an Employee Separation Notice form. Human Resources revised the form in November 2011 to emphasize timely reporting and to clarify the purpose and importance of the form. Also, written communication regarding separation transactions will be sent out campus-wide by March 15, 2012. Additionally, the Director of Human Resources will implement training on the separation process to begin April 1, 2012 and to be offered periodically over the next 12 months. The Director of Human Resources will continue to monitor this process and to report instances of late paperwork on a monthly basis to each division head.

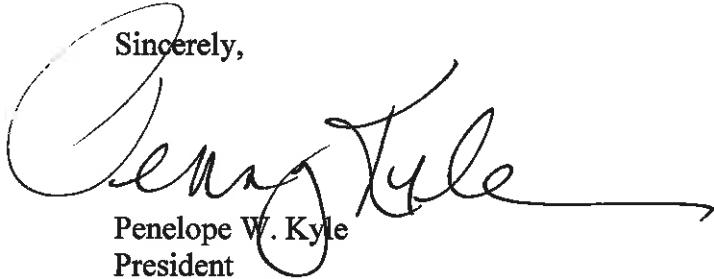
The University has granted access to four key employees (two employees in Financial Reporting, the Associate Controller, and Controller) to have the ability to both enter and approve standard journal entries. This approach was taken to operate efficiently using the online capabilities of the Banner system and to provide appropriate backup and coverage during employee absences. The University will review the current practices related to standard journal entries to improve controls and segregation of duties. At a minimum, the

Mr. Walter J. Kucharski
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Controller will investigate the feasibility of developing an automated edit report that will identify any journal entries entered and approved by the same person, which can then be reviewed by a responsible official for appropriateness. These steps will be completed by July 1, 2012.

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 cursive script, appearing to read "Penelope W. Kyle", with a long horizontal flourish extending to the right.

Penelope W. Kyle
President

Copy: Richard S. Alvarez, Chief Financial Officer/VP for Finance & Administration
Lisa H. Ridpath, Associate VP for Finance and Administration
Joey C. Sword, Director of Human Resources
Margaret D. McManus, University Auditor
William H. Shorter, University Controller

RADFORD UNIVERSITY
Radford, Virginia

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