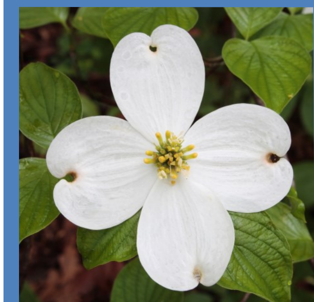


OLD DOMINION UNIVERSITY

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2018

Auditor of Public Accounts
Martha S. Mavredes, CPA
www.apa.virginia.gov
(804) 225-3350

AUDIT SUMMARY

We have audited the basic financial statements of Old Dominion University (University) as of and for the year ended June 30, 2018, and issued our report thereon, May 17, 2019. 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.odu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- internal control deficiencies 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 included testing over the major federal program of the 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 and instances of noncompliance in relation to this testing.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Document Justification for Prepaying Expenses
Type: Internal Control
Severity: Significant Deficiency
Repeat: No

University's management did not perform nor document a cost benefit analysis for prepayments made near the end of fiscal year 2018. Management processed six months of payments for five fiscal year 2019 capital lease obligations before fiscal year end, totaling $2,545,310 in principal and interest expenses. Without performing and retaining a cost benefit analysis for the prepayments, management is unable to demonstrate if the advance payments provided a cost benefit to the Commonwealth.

Commonwealth Accounting Policies and Procedures (CAPP) Manual topic 20310 allows management to make advance payments for expenditures management typically pays in advance as a standard practice, or if making the prepayment provides a cost benefit to the Commonwealth. To substantiate the reasonableness of the decision to make an advance payment, management should retain documentation and make it available for review upon request. Though management was aware of the CAPP Manual requirement of performing a cost benefit analysis in support of a decision to prepay expenses, management could not provide a reason why they did not perform this analysis. Instead, management only reviewed lease prepayment support as part of the University's year-end procedures prior to approving. Without documentation to demonstrate the cost benefit of the prepayments, management is unable to prove it was more beneficial to prepay on lease obligations as opposed to keeping the funds in an interest bearing account, providing for a potentially higher rate of return for the Commonwealth. Further, the decision to make advance payments reduces state funds available for the General Assembly to re-appropriate, if necessary, in the subsequent fiscal year.

University management should comply with CAPP Manual topic 20310, ensuring advance payments are allowable and justified sufficiently. Management should also retain documentation supporting decisions to make advance payments, demonstrating the cost benefit to the Commonwealth compared to other available options.

Improve Compliance over Enrollment Reporting
Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: Yes
Prior Title: Improve Enrollment Reporting Process

University management did not properly report enrollment changes to the U.S. Department of Education using the National Student Loan Data System (NSLDS) in accordance with 34 CFR § 685.309 and the NSLDS Enrollment Guide for students that had withdrawn and/or graduated. Management did not report an accurate enrollment status for four out of 25 students tested (16%), reported an inaccurate effective date for 14 students (56%), and did not report student status changes timely for 14 students (56%). The underlying cause of these errors is indeterminate.

In accordance with Code of Federal Regulations, Title 34 CFR § 685.309(b)(2), 34 CFR § 690.83(b)(2), and as detailed in Dear Colleague Letter (DCL) GEN 12-06, unless the institution expects to submit its next student status confirmation report within 60 days, the institution must notify the U.S. Department of Education within 30 days of an enrollment change. Additionally, the NSLDS Enrollment Reporting Guide, published by the U.S. Department of Education, identifies specific parameters, which institutions must meet to achieve compliance with these reporting regulations.

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 Direct Loan records and other federal student records remain updated.

The University should evaluate and enhance current enrollment reporting policies and procedures to prevent future noncompliance. Management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Properly Process Return of Title IV Calculations

Type: Internal Control and Compliance
Severity: Significant Deficiency
Repeat: No

The financial aid office at the University did not properly calculate the return of Title IV funds for the Spring 2018 semester. The underlying cause for the noncompliance is a miscalculation in the number of scheduled break days the regulations and U.S. Department of Education guidance documents require the University to exclude from the calculation. The miscalculation of scheduled break days resulted in a net error amount of $282.74.

Code of Federal Regulations, Title 34 CFR § 668.22, states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return unearned funds within the specified timeframe. Volume 5 of the 2017-2018 Student Financial Handbook states that while determining the length of a scheduled break, the institution should determine the last day that the institution holds class before the scheduled break and consider the next day to be the beginning of the scheduled break.

Improperly identifying, calculating, and/or not returning unearned Title IV funds timely to the U.S. Department of Education may result in adverse actions and affect the University's participation in Title IV programs. University management should review and enhance current return of Title IV policies and procedures and implement corrective action to prevent future noncompliance.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 17, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, 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** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated May 17, 2019. 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 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.

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 "Document Justification for Prepaying Expenses," "Improve Compliance over Enrollment Reporting" and "Properly Process Return of Title IV Calculations," which are described in the section titled "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 section titled "Internal Control and Compliance Findings and Recommendations," in the findings entitled "Improve Compliance over Enrollment Reporting" and "Properly Process Return of Title IV Calculations."

The University's Response to Findings

We discussed this report with management at an exit conference held on June 5, 2019. 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 not taken adequate corrective action with respect to the previously reported finding "Improve Enrollment Reporting Process." Accordingly, we included this finding, retitled "Improve

Compliance over Enrollment Reporting," in the section entitled "Internal Control and Compliance 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

OLD DOMINION UNIVERSITY
VICE PRESIDENT FOR ADMINISTRATION AND FINANCE
NORFOLK, VIRGINIA 23529-0014
PHONE: (757) 683-3464

May 29, 2019

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

Dear Ms. Mavredes:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2018 audit by the Auditor of Public Accounts (APA) and discussed during the exit conference.

Old Dominion University acknowledges the audit findings. The following contains the APA findings and management's response to the concerns and issues raised.

Document Justification for Prepaying Expenses

University's management did not perform nor document a cost benefit analysis for prepayments made near the end of fiscal year 2018. Management processed six months of payments for five fiscal year 2019 capital lease obligations before fiscal year end, totaling $2,545,310 in principal and interest expenses. Without performing and retaining a cost benefit analysis for the prepayments, management is unable to demonstrate if the advance payments provided a cost benefit to the Commonwealth.

Commonwealth Accounting Policies and Procedures (CAPP) manual topic 20310 allows management to make advance payments for expenditures management typically pays in advance as a standard practice, or if making the prepayment provides a cost benefit to the Commonwealth. To substantiate the reasonableness of the decision to make an advance payment, management should retain documentation and make it available for review upon request.

Management's Response

Management takes very seriously its responsibility for maintaining the highest level of internal controls when making financial decisions for the University. We will retain formal documentation of a cost-benefit analysis for any material pre-payments that are made in accordance with CAPP topic 20310 in the future.

Improve Compliance over Enrollment Reporting

Management did not report an accurate enrollment status for four out of 25 students tested (16%), reported an inaccurate effective date for 14 students (56%), and did not report student status changes timely for 14 students (56%). The underlying cause of these errors is indeterminate.

In accordance with Code of Federal Regulations, Title 34 CFR §685.309(b)(2), 34 CFR §690.83(b)(2), and as detailed in Dear Colleague Letter (DCL) GEN 12-06, unless the institution expects to submit its next student status confirmation report within 60 days, the institution must notify the U.S. Department of Education within 30 days of an enrollment change. Additionally, the NSLDS Enrollment Reporting Guide, published by the U.S. Department of Education, identifies specific parameters, which institutions must meet to achieve compliance with these reporting regulations.

Management's Response

ODU has evaluated and updated policies and procedures to prevent future noncompliance and is working with our ERP vendor on the final NSLDS reporting issue.

Properly Process Return of Title IV Calculations

The financial aid office at the University did not properly calculate the return of Title IV funds for the Spring 2018 semester. The underlying cause for the noncompliance is a miscalculation in the number of scheduled break days the regulations and U.S. Department of Education guidance documents require the University to exclude from the calculation. The miscalculation of scheduled break days resulted in a net error amount of $282.74.

Code of Federal Regulations, Title 34 CFR §668.22, states when a recipient of Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date and return unearned funds within the specified timeframe

Management's Response

ODU has updated their R2T4 procedure and process for calculation to ensure that the number of days within a term is correctly calculated and properly reported. Action was completed, January 2019.

Sincerely,

Gregory DuBois
Vice President for Administration and Finance

OLD DOMINION UNIVERSITY

As of June 30, 2018

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