



OLD DOMINION UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2023

Auditor of Public Accounts
Staci A. Henshaw, CPA

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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, 2023, and issued our report thereon, dated October 30, 2024. Our report, included in the University's basic 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;
- deficiencies in internal control and its operation necessary to bring to management's attention including one we consider to be a material weakness;
- two instances of noncompliance or other matters required to be reported under Government Auditing Standards; and
- adequate corrective action with respect to prior audit findings and recommendations identified as complete in the Findings Summary included in the Appendix.

We did not perform audit work on the prior audit findings titled "Improve Compliance over Enrollment Reporting," "Promptly Return Unearned Title IV Funds to Department of Education," and "Promptly Return Unclaimed Aid to the Department of Education" because the University did not complete corrective action during our audit period. Corrective action has been ongoing since the fiscal year 2021 audit. We will follow up on these findings during the fiscal year 2024 audit.

In the section titled "Internal Control and Compliance Findings and Recommendations," we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audits as well as recommendations for addressing those findings. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the findings and develop and appropriately implement adequate corrective actions to resolve the findings as required by the Department of Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendations.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Continue to Improve the Financial Reporting Process

Type of Finding: Internal Control

Severity: Material Weakness

First Reported: Fiscal year 2021

Old Dominion University's (University) Office of Finance (Finance) continues to implement corrective actions to improve internal controls over the financial reporting and compilation process for the University's financial statements. The University's initiatives included hiring consultants to assist with resolving long-standing reconciliation issues within the financial and accounting system (system); performing inventory counts over all business areas and making necessary adjustments to assets within the system; filling finance positions; and implementing process changes to better leverage the use of the system to compile the University's financial statements. Although the University has allocated new resources and implemented new processes and controls over financial reporting, we identified the following significant issues in our review of the financial statements and related control environment:

- Finance did not finalize the financial statements for fiscal year 2023 until June 2024. The delay in finalizing the statements was partly due to Finance not implementing a timely cut-off period for posting adjustments in the system. As Finance worked through reconciling and correcting balances in the system, they continued to adjust their general ledger. By doing so, the University's financial data for fiscal 2023 remained unfinished in the system until March 2024, contributing to the delay in finalizing the financial statements.
- Based on our review, Finance made significant adjustments to each financial statement and the corresponding footnotes to ensure balances and the related activity were materially correct and align with generally accepted accounting principles (GAAP). The errors requiring adjustment, that resulted in a net change in net position of \$20.3 million, include but are not limited to: two instances of Finance increasing unearned revenue when the revenue met Governmental Accounting Standards Board (GASB) criteria as being earned; classifying bad debt write-offs as an expense as opposed to a revenue allowance; double counting of assets as prepaid assets and subscription-based information technology arrangements (SBITAs); and multiple instances of misclassifying revenue in the correct category.
- Finance did not properly implement the requirements of GASB Statement No. 96, which prescribes the proper accounting and financial reporting for SBITAs. Based on our review, Finance made revisions decreasing SBITA assets by \$5 million and the related obligations by \$9.8 million. Finance made numerous revisions to the Commonwealth's lease system through July 2024 to obtain materially accurate SBITA data for use in the financial statements. This standard was new and complex, requiring significant preparation and effort for Finance to implement accurately.

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 misstatement in accordance with GAAP. Additionally, universities in the Commonwealth are responsible for providing accurate financial data for inclusion in the Commonwealth's Annual Comprehensive Financial Report by September following the end of each fiscal year. Misstatements increase the risk that users of financial statements may draw improper conclusions about the University's financial activities. As the financial statement adjustments and deficiencies depict, management's internal control environment during fiscal year 2023 did not detect, prevent, or correct material misstatements in a timely manner, hence, we consider these deficiencies a material weakness in internal control.

Management continued to experience turnover and worked to fill key financial reporting positions throughout fiscal year 2023. Further, though management made strides to improve financial processes and controls after the conclusion of the fiscal year 2022 audit, some of the process improvements increased the complexity of compiling the financial statements for fiscal year 2023. The University is actively working to hire new management in Finance and has dedicated additional resources, including working with consultants to improve the overall financial reporting process.

Management should continue to strengthen the financial reporting process by incorporating timely system cut-offs to support year-end financial reporting. Further, when considering improvements to financial reporting controls and processes, management should establish a method to evaluate suggested changes and establish reasonable timeframes for implementation, as enhancements take time to mature before becoming standard practice. Management should also perform periodic reviews, including analytical procedures, to identify unusual or unexpected financial correlations or material variances in activities from year-to-year to help support the accuracy of financial data included in the Commonwealth's and the University's financial statements. Lastly, when there are new accounting standards affecting the operations of the University, management should sufficiently prepare prior to implementation to ensure correct financial reporting.

Improve Controls over Financial Reconciliations

Type of Finding: Internal Control

Severity: Significant Deficiency

First Reported: Fiscal Year 2022

Finance continues to implement corrective action over its reconciliation process to ensure timely performance and to provide assurance over the accuracy and validity of financial data included within certain reconciliations. However, during our review, we found:

- Finance continues to post material realignment entries each month to address a significant cumulative reconciling item between the bank balance and the accounting system since fiscal year 2001, when the University upgraded its accounting system.
- For one year-end bank reconciliation tested, Finance completed the reconciliation six months after fiscal year end.

- Finance completed the year-end reconciliation between the accounting system general ledger and fixed asset module six months after fiscal year end.
- For four billing and payment system reconciliations tested, Finance completed the reconciliations one to eight months after month end. In addition, for one out of four (25%) billing and payment system reconciliations tested, no documentation was available to demonstrate Finance performed the reconciliation in accordance with University policies and procedures.

The Commonwealth's Accounting Policies and Procedures (CAPP) Manual Topic 20905 states agencies may not certify reconciliations as complete until the agency has specifically and completely identified all reconciling items and made corrections at the transaction level. Further, best practices suggest that Finance should complete a reconciliation prior to the issuance of the following month's statement to ensure that transactions are correct, and no fraud or error has occurred. Finance did not perform the reconciliations timely due to the time required to address significant reconciling items within the accounting system. By not completing and addressing reconciling items timely, Finance increases the risk of recording inaccurate information in the University's and Commonwealth's financial statements.

While correction of the issues will take time, management continues to demonstrate its commitment to improve the University's reconciliation processes. Moving forward, when updating processes, Finance should correspondingly update existing policies and procedures to ensure they capture and incorporate improvements in the University's internal control framework, providing assurance over the accuracy and timeliness of key financial reconciliations.

Improve Bad Debt Write-Off Process

Type of Finding: Internal Control

Severity: Significant Deficiency

Finance did not write-off bad debt timely, which impacts the reasonableness of the allowance for doubtful accounts estimate used in the financial reporting process. During our review, we found the University did not perform its required quarterly write-off of receivables for the quarter ending December 31, 2022, resulting in the University not reporting \$1.3 million in write-offs to the Department of Accounts (Accounts) during the year.

CAPP Manual Topic 20505, Accounts Receivable, requires agencies to establish an allowance for doubtful accounts to reflect the portion of an agency's receivables that management estimates will be uncollectible. The CAPP Manual further sets the expectation that agencies provide realistic estimates of, and properly account for, doubtful accounts and provide adequate documentation of the methodology used (e.g., allowance method, direct write-off method, etc.) to estimate doubtful accounts. Accounts require agencies to submit a schedule of accounts receivable each quarter, including the associated allowance for doubtful accounts. The allowance for doubtful accounts ensures that preparers of financial statements do not overstate accounts receivable balances. In addition, University Policy 4-625 Bad Debt Write-off states Finance will write-off bad debts on a quarterly basis.

By not performing the bad debt write-off process timely, the University cannot establish an adequate methodology for calculating the University's allowance for doubtful accounts estimate. Not including all relevant information in developing the allowance for doubtful accounts estimate further increases the risk of recording inaccurate information in the University's and Commonwealth's financial statements.

During fiscal year 2023, there was staff turnover in Finance, including those in key positions that support the overall accounting function of the University. Finance should evaluate and improve the bad debt write-off process to timely write off bad debt and maintain adequate documentation supporting that the write-off amount is reasonable. Furthermore, as the write-off process supports the University's allowance for doubtful accounts estimate included in the University's financial statements, Finance should periodically review the allowance estimate to ensure that the estimate amounts are reasonable in comparison to actual write-offs in subsequent fiscal years.

Strengthen Policies and Procedures Related to Terminated Employees

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

First Reported: Fiscal Year 2021

Neither University direct supervisors nor the Department of Human Resources (Human Resources) are notifying the Office of Procurement Services (Procurement) or the Security Officer of the Commonwealth's purchasing system timely of employee separations. We found four of 19 (21%) terminated employees, two of which the University hired through a temporary agency, maintained access to the Commonwealth's purchasing system from six to 109 days after separation. In addition, Procurement reactivated a terminated employee's access without proper approval.

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 a checklist to ensure that the hiring supervisor is aware of their responsibilities associated with the separation process. Additionally, the Commonwealth's Security Standard (Security Standard), SEC530, Section PS-4, requires users to disable information system access within 24 hours of employment termination. The University's policy lacked definitive guidance to ensure departmental requesters and approvers notify Procurement upon an employee's separation from the University. Further, the policy does not include account management guidance for temporary employees.

Without proper and sufficient timeframes for processing terminated employees, there is an increased risk that terminated employees will retain unauthorized access to state and University systems and sensitive information. Further, untimely deletion of access to systems and reactivating access without proper documentation and approval can expose the University to inappropriate activity by individuals no longer employed by the institution. Although the University recently updated University Policy #6060 Separation Process, management should continually enforce the policy to ensure all system account administrators receive timely notifications of employee terminations. Management should also

review the policy to ensure departmental supervisors understand the proper handling of temporary employee terminations.

Improve Oversight of Service Providers

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

The University does not obtain independent audit assurance to monitor the effectiveness of information technology (IT) security controls for seven of 13 (54%) subservice providers used by the University's third-party service providers for restricted systems. Additionally, the University did not evaluate nor document whether three of its 36 (8%) service providers use subservice providers. Subservice providers are organizations that service providers either outsource or receive assistance from to conduct specific services the University relies upon.

The International Organization for Standardization and the International Electrotechnical Commission Standard, ISO/IEC 27002 (ISO Standard), states that the University should review service reports produced by the supplier and conduct audits of suppliers and sub-suppliers in conjunction with review of independent auditor's reports, if available, and follow-up on issues identified (*ISO Standard: section 5.19 Information security in supplier relationships, section 5.20 Addressing information security within supplier agreements, section 5.21 Managing information security in the ICT supply chain, section 5.22 Monitoring, review and change management of supplier services, section 5.23 Information security for use of cloud services*). Not evaluating and documenting which subservice providers are significant to the University's operations and subsequently obtaining and reviewing independent audit assurance reports prevents the University from gaining assurance over the subservice providers' security controls. Insufficient assurance over subservice provider controls could expose the University to a risk of unauthorized modification or disclosure of sensitive data and information.

The University updated its System Risk Assessment (SRA) template during calendar year 2023 but did not complete the new SRA template to identify subservice providers for the three service providers prior to the end of fiscal year 2023. Additionally, contracts of service providers do not require the provision of independent audit assurance to the University for subservice providers. The lack of contract requirement along with the University not having a process to mitigate the risk of not obtaining independent audit assurance for subservice providers caused the University to not assess the effectiveness of security controls and additional risks posed for those subservice providers.

The University should continue identifying and determining which subservice providers are significant to the University's operations during its SRA process. For all significant subservice providers, the University should determine the best way to obtain assurance over the relevant controls of the subservice provider and document the results of the procedures performed, which may include obtaining and reviewing independent audit assurance reports for the subservice providers. Assessing subservice provider controls will help safeguard the confidentiality, integrity, and availability of the University's sensitive and mission critical data.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 30, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
Old Dominion University

Brian O. Hemphill
President, 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 30, 2024. Our report includes a reference to other auditors who audited the financial statements of the component units of the University, as described in our report on the University's financial statements. The other auditors, excluding those of the Old Dominion University Research Foundation, did not audit the financial statements of the component units of the University in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with those component units of the University. Additionally, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters for the Old Dominion University Research Foundation, which are reported on separately by those auditors.

Report on 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 opinions 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 titled "Internal Control and Compliance Findings and Recommendations," we identified certain deficiencies in internal control that we consider to be material weaknesses 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 "Continue to 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 "Improve Controls over Financial Reconciliations," "Improve Bad Debt Write-Off Process," "Strengthen Policies and Procedures Related to Terminated Employees," and "Improve Oversight of Service Providers," 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" and "Improve Oversight of Service Providers."

The University's Response to Findings

We discussed this report with management at an exit conference held on September 11, 2024. Government Auditing Standards require the auditor to perform limited procedures on the University's response to the findings identified in our audit, which is included in the accompanying section titled "University Response." The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Status of Prior Findings

The University has not taken adequate corrective action with respect to prior reported findings identified as ongoing in the [Findings Summary](#) included in the Appendix. We did not perform audit work related to the findings identified as deferred in the [Findings Summary](#) because the University did not complete corrective action during our audit period. We will follow up on these findings during the fiscal year 2024 audit. The University has taken adequate corrective action with respect to prior audit findings and recommendations identified as complete in the [Findings Summary](#) included in the Appendix.

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/clj

FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	First Reported for Fiscal Year
Improve Accounting for Accounts Payable	Complete	2022
Improve Controls over Capital Asset Inventory	Complete	2022
Continue to Improve the Financial Reporting Process	Ongoing	2021
Improve Controls over Financial Reconciliations	Ongoing	2022
Improve Bad Debt Write-Off Process	Ongoing	2023
Strengthen Policies and Procedures Related to Terminated Employees	Ongoing	2021
Improve Oversight of Service Providers	Ongoing	2023
Improve Compliance over Enrollment Reporting	Deferred	2021
Promptly Return Unclaimed Aid to the Department of Education	Deferred	2021
Promptly Return Unearned Title IV Funds to Department of Education	Deferred	2021

*A status of **Complete** indicates adequate corrective action taken by management. A status of **Ongoing** indicates new and/or existing findings that require management's corrective action as of fiscal year end. A status of **Deferred** indicates that we will follow up on management's assertion that corrective action has been taken in the future.



October 28, 2024

Ms. Staci Henshaw
Commonwealth of Virginia Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw,

We have reviewed the audit findings and recommendations resulting from the fiscal year 2023 audit related to Old Dominion University (University). The University appreciates the opportunity to address the management points and is committed to strengthening internal controls. Below are management's responses to those findings.

Continue to Improve the Financial Reporting Process

Type of Finding: Internal Control

Severity: Material Weakness

First Issued: Fiscal Year 2021

The University agrees with the auditors' finding and recommendations and will continue its remediation efforts. The University also appreciates the acknowledgement of its efforts put forth to date regarding the allocation of new resources and implementation of new processes and controls over financial reporting. The University remains focused on improving its financial statement close process to ensure timely closure of its books and preparation of its year-end financial statements. Additional account reconciliations and reviews will be implemented to ensure the financial statements accurately reflect the underlying accounting records. Regarding GASB Statement No. 96, the University will conduct a gap assessment and enhance controls to ensure SBITA information in its lease accounting system is complete and accurate.

Improve Controls over Financial Reconciliations

Type of Finding: Internal Control

Severity: Significant Deficiency

First Issued: Fiscal Year 2022

The University agrees with the auditors' finding and recommendations and will continue its remediation efforts. The University appreciates the recognition of its efforts put forth to date regarding its commitment to improve the reconciliation process. The University remains focused on improving its account reconciliation process and will enhance its policy to ensure that reconciliations are properly reviewed, and reconciling items are corrected in a timely manner.

Improve Bad Debt Write-Off Process**Type of Finding:** Internal Control**Severity:** Significant Deficiency

The University agrees with the auditors' finding and recommendations and has taken corrective action to improve its bad debt write-off process. This includes reviewing, and modifying, the University's write-off policy and implementing additional controls to assess write-offs and the allowance for doubtful accounts on a more frequent basis.

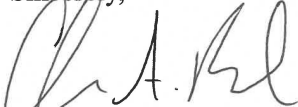
Strengthen Policies and Procedures Related to Terminated Employees**Type of Finding:** Internal Control and Compliance**Severity:** Significant Deficiency**First Issued:** Fiscal Year 2021

The University agrees with the auditors' finding and recommendations and will review current policies, procedures and practices to strength controls surrounding temporary employees.

Improve Oversight of Service Providers**Type of Finding:** Internal Control and Compliance**Severity:** Significant Deficiency

The University is committed to taking a risk-based approach by working with third party service providers in collecting and reviewing subservice provider compliance assurance. The University will continue to collect, review, and document subservice provider assurances, identify the function of the subservice provider, document if assurances are provided or not provided and share with appropriate stakeholders for sign off. The University is committed to the safeguarding the confidentiality, integrity, and availability of the University's sensitive and mission critical data.

Sincerely,



Chad A. Reed

Executive Vice President for Administration and Finance and Chief Financial Officer