



JAMES MADISON UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2017

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 James Madison University as of and for the year ended June 30, 2017, and issued our report thereon, dated April 19, 2018. 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.jmu.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.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Infrastructure Device Security

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

James Madison University (University) does not manage some critical infrastructure devices that safeguard its secure internal network in accordance with University policy or its adopted information security standard, ISO/IEC 27002 (Security Standard).

We communicated five control weaknesses to management in a separate document marked Freedom of Information Act (FOIA) Exempt under §2.2-3705.2 of the Code of Virginia, due to it containing descriptions of security mechanisms. The University's policy and the Security Standard requires the documentation and implementation of certain controls that reduce unnecessary risk to the confidentiality, integrity, and availability of the University's information systems and data.

The University should develop a plan to implement the controls discussed in the communication marked FOIA Exempt in accordance with its policies and the Security Standard in a timely manner. Doing this will help to ensure the University secures its network to protect its systems and data.

Assess and Classify Systems Based on Data Sensitivity

Type: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The University is not accurately classifying the sensitivity of two systems it uses based on the sensitivity of data the systems store or process. This omission is causing the University to exclude the two systems from certain required controls necessary to protect sensitive data.

We communicated the weaknesses to management in a separate document marked FOIA Exempt under §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 protective controls that reduce unnecessary risk to the sensitive data the two systems store or process.

The University should develop a plan to implement the controls discussed in the communication marked FOIA Exempt in accordance with the Security Standard in a timely manner. Doing this will ensure the University accurately identifies and evaluates risks associated with the two systems, and maintains the confidentiality, integrity, and availability of the sensitive and mission critical data the systems store or process.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 19, 2018

The Honorable Ralph S. Northam
Governor of Virginia

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

Board of Visitors
James Madison 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 discretely presented component unit of **James Madison University** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 19, 2018. Our report includes a reference to another auditor. 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 was audited by another auditor 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 "Improve Infrastructure Device Security" and "Assess and Classify Systems Based on Data Sensitivity," 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 Infrastructure Device Security" and "Assess and Classify Systems Based on Data Sensitivity."

The University's Response to Findings

We discussed this report with management at an exit conference held on April 25, 2018. 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 taken adequate corrective action with respect to audit findings reported in the prior year.

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

AVC/alh



April 26, 2018

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

Dear Ms. Mavredes:

We have reviewed the 'Internal Control and Compliance Findings and Recommendations' included within this report by the Auditor of Public Accounts (APA) and discussed them during the exit conference.

In response to these internal control weaknesses and compliance findings, James Madison University acknowledges and concurs with the recommendations provided. The University has completed, or is in the process of implementing, corrective action to address the findings.

Sincerely,

John F. Knight
AVP for Finance

Office of
ASSISTANT VICE PRESIDENT FOR FINANCE

MSC 5719
Massanutten Hall, Room 331
Harrisonburg, VA 22807
540.568.6433 Phone
540.568.3346 Fax

JAMES MADISON UNIVERSITY

As of June 30, 2017

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