



# VIRGINIA COMMUNITY COLLEGE SYSTEM

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts  
Staci A. Henshaw, CPA

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## AUDIT SUMMARY

We have audited the basic financial statements of the Virginia Community College System (System) as of and for the year ended June 30, 2021, and issued our report thereon, dated September 14, 2022. Our report, included in the System's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the System's website at [www.vccs.edu](http://www.vccs.edu). Our audit of the System 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 the major federal programs of the Education Stabilization Fund and Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit and for accreditation purposes as described in the U.S. Office of Management and Budget Compliance Supplement at the following Colleges:

- Northern Virginia Community College – Education Stabilization Fund and Student Financial Assistance;
- Tidewater Community College – Student Financial Assistance; and
- John Tyler Community College – Student Financial Assistance.

In relation to this testing, we found internal control findings requiring management's attention and instances of noncompliance in relation to Student Financial Assistance. These internal control and compliance findings and recommendations all have the topic of "Student Financial Assistance" to designate if we performed the testing in support of the Commonwealth's Single Audit or the college's reaffirmation of accreditation. We found no internal control findings requiring management's attention or instances of noncompliance in relation to the Education Stabilization Fund.

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Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

September 14, 2022

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

State Board for Community Colleges  
Virginia Community College System

## TRANSMITTAL LETTER

For fiscal year 2021, we audited the financial statements of the **Virginia Community College System** (System). We also audited the Education Stabilization Fund and Student Financial Assistance in support of the Commonwealth's Single Audit. Additionally, for those Community Colleges (colleges) completing the reaffirmation of accreditation process, we tested federal Student Financial Assistance. To meet these objectives, we performed testing at seven colleges, the Virginia Community College System Office (System Office) and the Shared Services Center (Shared Services). While the findings in this report cannot be extrapolated to all colleges, we believe that some of the issues within this report indicate where the System Office, Internal Audit, Shared Services, and the colleges can collaborate to make enhancements and reduce the overall risk to the System.

We have detailed 47 management recommendations in this report and grouped the recommendations into eight topical areas. While the 47 recommendations are less than last year's 73 recommendations, this year's audit required us to perform less testing as we audited fewer colleges for the Commonwealth's Single Audit and for accreditation purposes. For this reason, and the fact that we do not issue an opinion on internal controls and considering we annually change the colleges subject to testing based on risk, we do not suggest comparing the total number of recommendations from one year to another to conclude on the overall health of internal controls for the System. However, we support management completing its own analysis of this year's recommendations to determine whether a systemwide solution for corrective action may benefit all colleges in the System.

As in the prior year, our analysis of this year's recommendations indicates that colleges are having challenges with managing system access, mainly with deactivating a user's access to systems in a timely manner upon the employee's termination from the System. Recommendations related to deactivating a user's access are assigned the topic of human resources and payroll, rather than access control, as we found that the colleges were having interdepartmental challenges with terminating employee access. We also reported multiple recommendations in the areas of student financial assistance and related information security (13), human resources and payroll not related to terminations (7), financial accounting and reporting (6), capital assets (4), cash management (3), and procurement/contract management (2).

Additionally, we classified recommendations that were not fully resolved from the last time we selected an individual college for review as “Repeat: Yes,” “Repeat: Partial,” or “Repeat: Status Update.” The classification “Repeat” indicates that the issues are the same as reported previously; “Partial Repeat” indicates that some of the issues reported previously have been addressed but others persist; “Status Update” indicates that management is working to address the recommendation, but it was not addressed fully in time for evaluation during this audit and will be evaluated the next time we select the college for review.

We would like to express our appreciation to the many individuals at System Office, Shared Services, and the individual colleges who responded to our requests and provided us the information needed to meet our audit objectives.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

JMR/clj

## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Findings are grouped under the headings System Office, Shared Services, and followed by each individual college. System Office and Shared Services are listed first and second, respectively, because of their leadership over and involvement with the colleges' financial operations. Relative financial size of each college determines the listing order as follows, with the college subject to a reaffirmation of accreditation review listed last:

- Northern Virginia Community College (Northern Virginia)
- Tidewater Community College (Tidewater)
- J. Sargeant Reynolds Community College (Reynolds)
- Lord Fairfax Community College (Lord Fairfax)
- New River Community College (New River)
- Rappahannock Community College (Rappahannock)
- John Tyler Community College (John Tyler)

To aid in the understanding of current and prior findings, there are three appendices to this report related to findings. The first two appendices contain lists of the current year findings within this report. The first appendix lists the findings in the order they appear in this report, and the second appendix groups the findings by their respective topic. The third appendix provides the status of 2015-2020 findings that we did not consider resolved prior to 2021. The prior findings in the third appendix have a follow-up disposition of either resolved, deferred to future audits, or issued as a repeat finding. As discussed in the Transmittal Letter, if a prior finding is included in this report, we classified it as "Repeat: Yes," "Repeat: Partial," or "Repeat: Status Update" based on the progress management has made.

### SYSTEM OFFICE

#### **2021-01: Provide Oversight and Guidance Related to College Financial Reporting**

**Topic:** Financial Accounting and Reporting

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

The System Office should provide guidance to the colleges related to financial reporting matters to ensure consistency when compiling the financial information prepared by the colleges. Additionally, the System Office should provide oversight and review the information prepared by the colleges to ensure accuracy of the amounts reported in the financial statements. Our audit identified the following instances where the lack of oversight and guidance resulted in incorrect or inconsistent financial reporting:

- The System Office's reporting of Higher Education Emergency Relief Funds (HEERF) revenue in the financial statements included four colleges that incorrectly reported a portion of HEERF revenue as operating revenue as opposed to nonoperating revenue (\$2.98 million) and three

colleges that duplicated revenue and expense transactions related to HEERF that required reversal (\$4.23 million).

- The System Office incorrectly accounted for the impairment of a damaged building by not complying with Governmental Accounting Standards Board Statement No. 42 (GASB 42), Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2020-1 discusses the revenue presentation of CARES Act resources, including HEERF. The Technical Bulletin states that preparers should report for all CARES Act resources as nonoperating revenues. The System Office did not provide detailed guidance to the colleges to ensure consistency in the presentation of HEERF revenue in the financial statements. Additionally, the System Office did not review the HEERF revenue amounts prepared by the colleges prior to the compilation of the financial statements which resulted in the need for the adjustments discussed above.

GASB 42 states that preparers of financial statements should report impaired capital assets at the lower of carrying value or fair value. Preparers should measure the impairment of capital assets with physical damage generally using a restoration cost approach, an approach that uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset to write off. The System Office's Financial Services Manager did not obtain the necessary information from the college to properly determine the impairment. The System Office calculated the impairment of the asset based on the original cost of the building and the estimated square footage of damage. Improperly calculating the impairment increases the risk of material misstatement of the capital assets reported in the System's financial statements.

The accurate and consistent accounting for new programs and infrequent transactions requires the coordination of the individual colleges and the System Office. The System Office should work with the colleges to determine the proper accounting treatment and provide detailed guidance to the colleges as needed to ensure consistent reporting. Additionally, the System Office should perform a detailed review of the financial information prepared by the colleges before compiling the financial statements. The review should ensure proper application of accounting standards and consistent treatment of similar programs among the colleges.

We have identified other areas where the System Office should provide oversight and guidance to the colleges that we discuss in this report in the findings titled:

- 2021-02: Improve Policies and Procedures for Capital Assets
- 2021-03: Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports
- 2021-04: Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition
- 2021-05: Address Inconsistencies in Employee Personnel Records
- 2021-07: Continue to Improve Information Available to Community Colleges Related to Prepayments.

**2021-02: Improve Policy and Procedures for Capital Assets****Topic:** Capital Assets**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

The System Office's policies and procedures related to capital assets do not address how the System Office will comply with certain financial reporting standards and the Department of Account's Commonwealth Accounting Policies and Procedures (CAPP) Manual requirements. Further, the System's capital asset policies and procedures omit or overlook important information. These policies and procedures do not provide guidance over all aspects of capital asset accounting and reporting, including, tracking construction-in-progress, timeliness of asset capitalization, recording of correct and consistent acquisition dates, and determinization of service concession arrangements. The System Office Financial Services Manager relies heavily on the individual colleges to report accurate information, and track, record, capitalize, verify, and dispose of assets. As a result, we noted the following during fiscal year 2021 test work:

- We tested six local land improvements at Northern Virginia and found two (33%) did not have the proper acquisition date.
- The System Office capitalized \$1.8 million in non-depreciable land improvements related to building demolition costs, instead of expensing them.

CAPP Manual Topics 30000 – Capital Asset and Lease Accounting state that agencies and institutions must have policies and procedures in place to ensure the proper recording, tracking, and safeguarding of assets that meet certain criteria, including areas such as construction in progress, acquisition methods, additions, disposals, and physical inventory. Without policies and procedures that address all required areas, the financial statements and related disclosures may have misclassifications of amounts such as non-depreciable capital assets, depreciable capital assets, and net investment in capital assets. Additionally, the lack of detailed policies and procedures can lead to inconsistent treatment of capital assets across the colleges and fiscal years.

The System Office should update, implement, and follow the capital assets policies and procedures to ensure compliance with all relevant financial reporting standards and CAPP Manual Topics. Additionally, the System Office should ensure that its requests to the Colleges reflect the information they need to aid in proper financial reporting.



**2021-03: Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports**

**Topic:** Procurement/Contract Management

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Status Update (first issued for fiscal year 2019 as 2019-05 and again for fiscal year 2020 as 2020-05)

**Prior Title:** Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports

The System Office does not have comprehensive policies and procedures related to the review of third-party service providers' Service Organization Control (SOC) reports, or for ensuring the System Office or colleges design and implement complimentary user entity controls (CUECs). SOC report reviews are a key internal control, as the System Office, colleges, and Shared Services Center (contract with service organizations that have a direct impact on the System's financial operations. The System Office was not able to provide documentation indicating that management reviewed the SOC reports. In addition, the System Office could not provide documentation describing the actions each college took to ensure the proper implementation and design of CUECs.

In response to a recommendation for fiscal year 2019, the Controller developed a process for gathering SOC report information from the colleges. However, management has not documented this process in the System Office's policies and procedures, and the process does not adequately address the following:

- documentation and implementation of CUECs;
- steps to address internal control deficiencies and/or exceptions in the SOC report reviews; or
- retention of documentation to support the review of SOC reports by the System Office or colleges.

CAPP Manual Topic 10305 requires agencies to have adequate interaction with service providers to appropriately understand the provider's internal control environment. Agencies must also maintain oversight over the provider to gain assurance over outsourced operations. SOC reports are a key tool in gaining an understanding of the provider's internal control environment and maintaining oversight over outsourced operations. Without written comprehensive policies and procedures over SOC report reviews, the System Office may be unable to ensure that colleges perform sufficient oversight over the use of third-party services. The System Office and each college may not be able to ensure their CUECs are sufficient to support their reliance on the service providers' internal control design, implementation, and operating effectiveness. In addition, the System Office may face challenges in demonstrating that it is properly addressing any internal control deficiencies and/or exceptions in the SOC reports.

The System Office obtains SOC reports each year and the Controller reviews the reports. However, the System Office has not devoted sufficient resources to develop and document

comprehensive written policies and procedures for the review of the SOC reports and the required responses to ensure that the colleges have properly designed and implemented CUECs as necessary.

The System Office should dedicate the necessary resources to improve the processes already in place by documenting comprehensive policies and procedures to ensure sufficient review of SOC reports, and to indicate the degree of responsibility for reacting to the contents of the SOC reports, which may include designing and implementing of CUECs by the System Office, the colleges, and Shared Services as necessary. The System Office should ensure that management at the colleges and Shared Services understand the importance of the design and implementation of CUECs, sufficient to support management's reliance on the service entity's internal control environment in accordance with CAPP guidance and industry best practices. If the System Office, colleges, or Shared Services identifies exceptions in the SOC reports, management should document their evaluation of the exception, including whether additional compensating controls are necessary to mitigate the risk to the System. Finally, the System Office should ensure that they maintain adequate documentation of the SOC report reviews.

**2021-04: Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition**

**Topic:** Financial Accounting and Reporting

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Status Update (first issued for fiscal year 2019 as 2019-01 and again for fiscal year 2020 as 2020-02)

**Prior Title:** Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition

The System has not yet addressed that colleges are inconsistent in their handling of dual enrollment tuition. The System has approximately 48,000 dual enrolled students, which is 23 percent of the System's 208,000 students. In the last year the number of dual enrolled students has increased by approximately 3,000 students. When colleges are not consistent in their handling of dual enrollment transactions, it limits the System's ability to establish uniform operating procedures for these financial activities and increases the administrative costs for the colleges that accept and return funds. Additionally, when the colleges inconsistently report similar activity, the resulting financial reporting could be misleading to a user of the financial statements when making decisions.

The System should continue to work with the colleges to ensure consistent accounting of dual enrollment activity in the financial statements that meets the needs of decision makers to evaluate the dual enrollment program. Additionally, the System should also update policies and procedures to ensure that each college is aware of expectations and can be held accountable as needed.

**2021-05: Address Inconsistencies in Employee Personnel Records****Topic:** Human Resources and Payroll**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** Status Update (first issued for fiscal year 2020 as 2020-03)**Prior Title:** Address Inconsistencies in Employee Personnel Records

In our prior report, we noted that personnel records for the System contain information that is not consistent with other official records and/or policies. Those inconsistencies provided evidence that data integrity errors exist within the System's human resources system.

To appropriately identify and correct inconsistencies in its personnel records, the college's human resources employees reviewed personnel records and human resource data and adjusted the data where necessary. Additionally, the System Office has performed the following:

- communicated audit finding concerns to the Chief Human Resource Officers of all colleges to support their review and correction of personnel records that show inconsistencies with other systems and policies;
- added a standing agenda item for the bi-weekly system-wide meetings with the Chief Human Resource Officer through the corrective action date of March 31, 2022;
- reviewed and updated system-wide policies and procedures to support the correct input, update, and reconciliation of data in the human resources system; and
- revised the leave liability query to identify employees with inconsistent and unusual leave balances.

As these corrective actions occurred after the period under audit, we are deferring evaluation of the corrective actions of the System Office to determine if they achieved the desired results. The System should continue to ensure that personnel records are consistent with other official records and/or policies.

## SHARED SERVICES CENTER

### **2021-06: Develop and Implement Policies and Procedures Over Payroll Certifications and Reconciliations**

**Topic:** Human Resources and Payroll

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Shared Services did not ensure the colleges complied with their service level agreement over payroll certifications and reconciliations. Nine of the 15 (60%) payroll certifications selected for review did not have an authorized signature from the college as required per the service level agreement. Shared Services employees signed four of the certifications, whereas the remaining five were unsigned. Additionally, Shared Services did not properly prepare and review the payroll reconciliations. Four of the eight (50%) reconciliations selected for review did not correctly display variances related to work-study wages or document actions taken to clear the exceptions, and eight of the eight reconciliations (100%) did not have evidence of a supervisor's review.

According to the service level agreement, colleges must sign the coversheet of the pre-certification packet as part of the payroll certification process. Improper or lack of an authorized signature indicating review of the pre-certification packet could lead to inaccurate or incomplete certification of payroll information into the Commonwealth's payroll system. CAPP Manual Topic 50905 Monthly Reconciliations requires that agencies perform monthly reconciliations of payroll records to ensure proper processing and timely resolution of any differences, with the option of performing the reconciliations manually after each pay period. As part of the reconciliation process, Shared Services must review each exception and determine the need for a correction to an employee's master file record. Improper reconciliations may not properly identify discrepancies or resolve them timely or accurately.

Shared Services does not have agency-specific policies and procedures over the payroll pre-certification and certification processes. Instead, Shared Services relies on their service level agreement and the related CAPP Manual Topics 50810 Pre-Certification Activities, 50815 Payroll Certification, 50820 Post-Certification Activities, and 50905 Monthly Reconciliations. CAPP Manual Topics stress the importance of agency-specific policies and procedures governing payroll processing. Without detailed policies and procedures specific to Shared Services as a central processor of the System's payroll, Shared Services is unable to ensure consistency in processing and reconciling the System's payroll to ensure timely and accurate processing with appropriate personnel accepting responsibility for the certifications. Additionally, Shared Services performs manual reconciliations after each pay period. Without policies and procedures, Shared Services is unable to ensure the timeliness and accuracy of reconciliations, including documentation that clearly shows how Shared Services resolved differences. Best practices when performing reconciliations indicate that there should be segregation of duties, with separate preparers and reviewers, to ensure preparers identify, research, and resolve variances.

Shared Services should evaluate their current processes over payroll certification and create detailed policies and procedures that outline the specific steps needed to properly process payroll through the pre-certification, certification, post-certification, and monthly reconciliation processes in accordance with their service level agreement and the respective CAPP Manual Topics.

**2021-07: Continue to Improve Information Available to Community Colleges Related to Prepayments**

**Topic:** Financial Accounting and Reporting

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2019 as 2019-02 and again for fiscal year 2020 as 2020-14)

**Prior Title:** Continue to Improve Information Available to Community Colleges Related to Prepayments

Shared Services does not have policies and procedures to address how the System ensures that the prepaid expense amount in the financial statements is reasonable and complete. While Shared Services has created a report to capture all prepayment information needed for financial reporting, they have not made the colleges aware of this report or provided instructions on how to use this report for analysis of their prepayments. As a result, the colleges used various methods of determining the prepayments for financial reporting.

In accordance with generally accepted accounting principles (GAAP), accrual accounting requires charging expenditures to the fiscal year and period in which goods are received or services are performed. A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period.

Without adequate information on prepayments provided by Shared Services, the colleges must separately track prepayments for financial reporting purposes, increasing the risk for inaccurate reporting of prepayments. Inaccurate information submitted to the System Office may increase the risk of misstatement in the financial statements and can affect long-term planning and the decisions of those individuals or institutions that rely on such information.

Shared Services should develop and implement policies and procedures to address how the System ensures that the prepaid amount on the financial statement is reasonable and complete. Additionally, Shared Services should make all colleges aware of the available report to capture all prepayment information and provide instructions on how to use the report for analysis and financial reporting.

**2021-08: Improve the Effectiveness of the Annual Systems Access Certification****Topic:** Access Control**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** Status Update (first issued for fiscal year 2020 as 2020-13)**Prior Title:** Improve the Effectiveness of the Annual Systems Access Certification

In our prior report, we recommended that Shared Services perform an annual review of systems access, assign user access based on the principle of least privilege, and document access roles that create segregation of duties conflicts, and as needed, the related compensating controls. We also recommended that Shared Services should ensure that it has the appropriate resources and processes in place to certify user access in a timely and effective manner. During the prior year audit, we noted that the annual access certification took 12 months to complete, Shared Services closed help desk tickets to remove user access from the human resources system, but access was not removed, and Segregation of Duties – Exception Request forms for the accounting information system were not submitted within the related fiscal year. The System uses access certifications to ensure access to systems is reasonable and in compliance with the System’s Security Standard and best practices. Not conducting regular and effective reviews of user access to the accounting information and human resources systems increases the risk of unauthorized access, improper or unauthorized transactions, and unreasonable access to data housed in these systems. Given the nature of the services offered by Shared Services, users at Shared Services have access to data and processes for all colleges and entities within the System.

To appropriately address the issues with the systems access and the annual systems access certification, the Shared Services Center has performed the following as of March 31, 2022:

- documented and performed an annual review of systems access, including updating procedures and documenting any exceptions;
- requested Line Managers to review monthly access reports to ensure help desk fully completed any termination or change requests; and
- implemented updated controls to ensure timely access removal from all sensitive systems for terminated employees.

As these corrective actions occurred after the period under audit, we are deferring evaluation of the corrective actions of Shared Services to determine if they achieved the desired results. Shared Services should continue to ensure that it has the appropriate resources and processes in place to certify user access in a timely and effective manner.

## NORTHERN VIRGINIA COMMUNITY COLLEGE

### **2021-09: Improve the Monitoring of Critical System Access**

**Topic:** Access Control

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

During fiscal year 2021, Northern Virginia personnel maintained unnecessary access to user roles in the System's information systems. We identified the following deficiencies related to the monitoring and maintenance of critical system access at Northern Virginia based on the concepts of least privilege and segregation of duties:

- Six out of seven (85.7%) users tested had access to seven out of eight (87.5%) access roles in the System's student information system that were not necessary based on the principle of least privilege.
- Twenty-six out of 26 (100%) users tested had access to 59 out of 62 (95.2%) role combinations in the System's student information system that were conflicting based on the concept of segregation of duties. This resulted in Northern Virginia removing 70% of the roles tested.
- Northern Virginia did not obtain responses from 85 out of 251 (33.9%) supervisors during the annual access security review for the System's student information system. Northern Virginia did not perform additional follow-ups to ensure that supervisors confirmed access appropriately and timely.
- Northern Virginia did not obtain responses from 31 out of 251 (12.4%) supervisors during the annual access security review for the System's human resource system. In addition, Northern Virginia did not perform additional follow-ups to ensure that supervisors confirmed access appropriately and timely. Due to management not performing adequate follow-ups for nonresponsive employees, Northern Virginia did not complete a full annual security review for the System's human resource system for fiscal year 2021.

We conducted test work in accordance with the System's Role Reference Guide 9.2 for the system, which identifies access roles that are critical based on the principle of least privilege and potentially conflicting roles based on the concept of segregation of duties. With respect to the principle of least privilege, Northern Virginia's account procedures over the student information system state that "all employees are granted user access to Information Technology (IT) systems and data based on the principle of least privilege. The principle of least privilege requires that a user be given no more privilege than necessary to perform their job." Northern Virginia's IT Policy 501 states that "all users must comply with applicable VCCS IT Requirements, Standards, Policies and Guidelines, including the Chancellor's Technology Expectations, regarding information technology." For segregation of duties, the System's Security Standard, based on International Standards Organization (ISO) 27002:2013, section 12.1 states

that “segregation of duties will be implemented, where appropriate, to reduce the risk of negligent or deliberate system misuse.”

By not properly monitoring critical system access, Northern Virginia increases the risk of compromised data integrity and/or unnecessary exposure of sensitive data. In addition, when user access violates the principle of least privilege, there is an increased risk that users can use the access to perform unauthorized transactions. In the case where there is no appropriate segregation of duties, there is an increased risk in the occurrence of negligent or deliberate system misuse, and that users can circumvent other compensating controls and perform unauthorized transactions. Northern Virginia’s account procedures over the student information system do not address the granting and maintenance of access with respect to appropriate segregation of duties. During Northern Virginia’s annual security access review, management did not effectively follow-up with supervisors that did not respond to access verification requests, which resulted in users retaining access without appropriate monitoring. Additionally, Northern Virginia did not identify and remove unnecessary or conflicting user access roles during annual user access reviews.

Management should evaluate and review the procedures for granting, monitoring, and removing critical system access and ensure they assign roles and privileges appropriately to prevent segregation of duties concerns as referenced in the System’s Role Reference Guide 9.2 for the system. Management should also ensure they identify users with unnecessary access to critical roles, and that maintenance of access is based on the principle of least privilege. Additionally, management should perform applicable follow-ups to ensure that supervisors respond to the annual security access reviews appropriately and timely to allow for effective access monitoring.

**2021-10: Continue to Strengthen Interdepartmental Communications Related to Terminated Employees**

**Topic:** Human Resources and Payroll

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2019 as 2019-11 and again for fiscal year 2020 as 2020-16)

**Prior Title:** Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees

Northern Virginia did not consistently deactivate system access in a timely manner for employees that terminated employment with the college. In addition, Northern Virginia’s policies and procedures do not address the timeframe supervisors have to communicate a termination to human resources. As a result, we noted the following deficiencies:

- four out of 14 (28.5%) wage employees tested had system access removed 22 to 83 days after termination date;
- three out of six (50%) adjunct employees tested had access removed 61 to 180 days after termination date; and



- three out of 39 (7.7%) users tested had access to the Commonwealth's purchasing system removed 15 to 20 days after termination date.

The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. Section 9.2.6 defines access rights that should be removed including: physical and logical access, keys, identification cards, information systems and data, subscriptions, and removal from any documentation that identifies them as a current member of the College.

By not removing access in a timely manner, Northern Virginia is increasing the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deletion of access to systems can expose Northern Virginia to inappropriate activity by individuals no longer employed by the institution. According to management, timely communication between supervisors of several departments and human resources continues to be a challenge for those employees who terminate without notification, which results in untimely access removal.

Northern Virginia's management should update the policies and procedures related to employee access terminations to ensure they are in accordance with the System's Security Standard. Additionally, management should continue to strengthen communications between department supervisors and human resources to ensure human resources timely deactivates access for terminated employees in accordance with the System's Security Standard.

#### **2021-11: Reconcile Federal Assistance Programs**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

**ALPT or Cluster Name and ALN:** Student Financial Assistance Cluster - 84.268, 84.063

**Federal Award Number and Year:** Various - 2021

**Name of Federal Agency:** U.S. Department of Education

**Type of Compliance Requirement - Criteria:** Cash Management - 34 CFR § 685.300(b)(5), 34 CFR §

**Known Questioned Costs:** \$0

Northern Virginia personnel were unable to provide sufficient documentation showing reconciliations of its accounting records with the federal systems used to authorize and request federal student aid. Specifically, we noted the following deficiencies:

Student Financial Aid Office personnel could not provide documentation of Northern Virginia's records with the School Account Statement (SAS) received from U.S. Department of Education's (Education) Common Origination and Disbursement (COD) System. Northern Virginia's management indicated this was the result of a misunderstanding of the regulations. Rather than reconciling the ending cash balance on the monthly reports, the Student Financial Aid Office focused on the individual mismatches between its internal records and COD System and resolving batch errors during the month.

Northern Virginia's Controller's Office could not provide documentation of reconciliations of its accounting records with Education's grants management system and its bank account. Northern Virginia's management indicated this was the result of not prioritizing the monthly reconciliations of its internal records with the grants management system. The Controller's Office reconciles its student accounts to the grants management system when a drawdown occurs, but drawdowns do not occur monthly, and that reconciliation does not include the general ledger.

In accordance with 34 CFR § 685.300(b)(5) and 34 CFR § 685.102(b), institutions must reconcile institutional records with Direct Loan funds received from Education and Direct Loan disbursement records submitted to and accepted by Education. Each month, COD provides institutions with a SAS data file which consists of a cash summary, cash detail, and loan detail records to aid in this reconciliation process. Chapter 6 Reconciliation in the Direct Loan Program of the Federal Student Financial Aid Handbook (Handbook) details the reconciliation requirements.

By not documenting a monthly reconciliation of federal Direct Loans, Northern Virginia places itself at risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal noncompliance and may lead to potential adverse actions and impact participation by the institution in Title IV of the Higher Education Act of 1965 (Title IV) programs. Northern Virginia's Student Financial Aid and Controller's Offices should perform and retain sufficient documentation of the monthly reconciliations and resolve reconciling items between Northern Virginia's financial systems, Education's grants management system, and COD records in a timely manner to ensure compliance with federal regulations.

**2021-12: Improve Notification Process for Federal Loan Awards to Students**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

**ALPT or Cluster Name and ALN:** Student Financial Assistance Cluster - 84.268, 84.063

**Federal Award Number and Year:** Various - 2021

**Name of Federal Agency:** U.S. Department of Education

**Type of Compliance Requirement - Criteria:** Special Tests and Provisions - 34 CFR § 668.165(a)(2)

**Known Questioned Costs:** \$0

The Northern Virginia Financial Aid Office did not notify students awarded federal Direct Loans for two of 25 (8%) borrowers that received loans for the weeks of November 11, 2020, and March 2, 2021. The CFR requires written award notifications to students including important details on the rights, options, and requirements of the student loan.

In accordance with 34 CFR § 668.165(a)(2), institutions should properly notify students receiving federal Direct Loans in writing of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan. Additionally, 34 CFR § 668.165 (3) (i – ii)

indicates that for Direct Loans, the institution must provide the notice in writing no earlier than 30 days before and no later than 30 days after, crediting the student's account at the institution if the institution obtains affirmative confirmation, and no later than seven days if the institution does not obtain an affirmative confirmation.

The Financial Aid Office uses an automated system to send the required notifications to borrowers; however, the existing process does not include edit checks to determine proper generation and distribution of notifications to students following the posting of disbursements. Consequently, staff were not aware of outdated query language within the automated system that prevented the creation of notifications for borrowers receiving federal Direct Loans.

Not properly notifying students in accordance with federal regulations may result in adverse actions and impact the institution's participation in Title IV programs. Additionally, improper notification could limit the amount of time a student or parent has to make an informed decision on whether to accept or reject a loan. The Financial Aid Office should revise the query language that triggers the loan notification process to ensure proper notification to all students receiving federal Direct Loans.

**2021-13: Improve Compliance over Enrollment Reporting**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2018 as 2018-101 in the Statewide Single Audit report and again in 2020 as 2020-080 in the Statewide Single Audit report)

**Prior Title:** Improve Compliance over Enrollment Reporting

Northern Virginia Registrar's Office personnel did not report accurate and/or timely enrollment data to the National Student Loan Data System (NSLDS) for students that had an enrollment level change, graduated, or withdrew. The underlying cause of the errors is primarily related to staff turnover and prioritizing resources to address the COVID-19 pandemic. From a review of 40 students, we identified the following deficiencies:

- the enrollment status was inaccurate for 11 students (28%);
- the effective date was inaccurate for 12 students (30%);
- Northern Virginia did not report enrollment status changes timely for 17 students (43%); and
- at least one campus or program level field deemed critical was inaccurate for 15 students (38%).

In accordance with 34 CFR § 685.309 and further outlined in the Education's NSLDS Enrollment Guide, institutions should report enrollment changes to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Inaccurate data submissions to NSLDS can affect the

reliance placed on the system by Education for monitoring purposes. Noncompliance may also have implications on an institution's participation in Title IV programs. 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 federal Direct Loan records and other federal student records remain updated.

Management should perform a comprehensive review of current enrollment reporting processes to ensure accurate and timely submissions to NSLDS. Management should implement corrective action to prevent future noncompliance and should consider enhancing its quality control review (QCR) process for monitoring the accuracy of submitted enrollment batches.

## TIDEWATER COMMUNITY COLLEGE

### **2021-14: Improve Capital Asset Inventory and Tracking**

**Topic:** Capital Assets

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Tidewater did not properly classify the disposal of capital assets. For eight out of 15 (53%) capital assets selected for testing, Tidewater recorded the assets as sold; however, management determined the eight assets were missing from physical inventory.

CAPP Manual Topic 30805 Asset Disposal states that when a capitalized asset is disposed, its value is removed from the financial balances reported from inventory reports; however, the asset record, including disposal information, remains on the Masterfile for three years, after which time it is purged from the system. The System's Capital Asset Policy and Procedures Manual provides additional guidance when assets are missing or scrapped. Assets that are not found during the inventory process should be classified as "lost;" if they have not been located by the next inventory, they should be removed from the asset management system with a status code of "retired." The responsible department should try to determine how the item was lost and sign off on the retirement from the asset management system.

Insufficient recording of disposals of Tidewater's capital assets increases the risk of misappropriation of Commonwealth property. The primary cause for not identifying and correcting the recording of these capital assets was lack of oversight. However, a proper and effective review of inventory records should result in an accurate accounting of equipment.

Tidewater management should continue to evaluate the current inventory and tracking procedures and implement corrective action to ensure the recording of capital assets is consistent with their actual disposition and state requirements.

## **2021-15: Continue to Strengthen Internal Controls Over Physical Inventory**

**Topic:** Capital Assets

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Partial (first issued for fiscal year 2020 as 2020-19)

**Prior Title:** Locate Equipment and Assign a Responsible Party

As noted in the prior year, Tidewater's Office of Information Systems (OIS) is in the process of locating, and, as needed, tagging \$1,430,393 worth of audio/visual equipment assigned to it in 2018 upon dissolving another department. At the time of our audit, OIS was still in the process of locating the equipment. Additionally, during the prior year, the Machining Department and Regional Automotive Center inventory sheets did not have a responsible employee's signature. Tidewater's corrective action deadline was March 31, 2022, to locate the missing inventory for the Office of Information Systems and assign a responsible party for the Machining Department and Regional Automotive Center.

During the current audit, Tidewater did not conduct an adequate inventory to ensure management properly recorded capital assets in the asset management system, which is a module within the accounting information system. We identified the following exceptions during the fiscal year:

- Ten out of 12 (83%) capital assets selected from Tidewater's accounting information system listing at the district office location were unable to be located.
- Two out of 12 (17%) capital assets selected during a walkthrough of the district office location were not properly tagged and unable to be located in Tidewater's accounting information system listing.

Further review of the inventory documentation of the district office location identified a total of 230 capital assets with an original cost of \$2,926,591.31 that Tidewater was unable to locate. These items represent 68 percent of the total 336 capital assets and 53 percent of the total original cost of \$5,562,215.26 of the assets recorded in the accounting information system as located at the district office location.

According to CAPP Manual Topic 30505 – Physical Inventory, any items found to be unrecorded or not physically existing should be listed as a discrepancy, subsequently researched, and then either entered or removed by disposal from the system, as appropriate. Additionally, the System's Capital Asset Policies and Procedures Manual requires that a Physical Inventory Discrepancy Form be completed when equipment is not included on the inventory listing or equipment on the listing could not be located. The Capital Asset Manager should then review the Physical Inventory Discrepancy Forms to ensure the proper recording of all inventory in the accounting information system. Additionally, the System's Capital Asset Policies and Procedures Manual requires that if capital assets are not located by the next physical inventory date, the Capital Asset Manager should obtain written permission from the responsible department head to delete the asset from inventory.

Insufficient tracking of Tidewater's capital assets increases the risk of misappropriation of Commonwealth property, may contribute to the inclusion of inaccurate information in the accounting information system, and cause misstatements in the financial statements. Without proper inventory

documentation, the disposition of capital assets cannot be determined. In the prior fiscal year, the Capital Asset Manager was unable to obtain a responsible party's signature on the inventory sheets, which identified missing capital assets. During the current fiscal year, Tidewater was unable to locate equipment in the district office location due to inadequate physical inventory of matching the accounting information system to the capital assets that physically exist in the building.

OIS should continue to expedite locating, and, as necessary, tagging or disposing of the inventory that is its responsibility. Tidewater should continue to hold the appropriate employees responsible for inventory within their departments. Additionally, Tidewater should perform inventory properly to identify the accurate location of capital assets or follow its procedures to dispose of items that cannot be located within two inventory cycles. Tidewater should evaluate current inventory and tracking procedures and implement corrective action to ensure the proper monitoring of capital assets in accordance with state requirements.

**2021-16: Strengthen Communication and Procedures Related to Terminated Employees**

**Topic:** Human Resources and Payroll

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2018 as 2018-60, in fiscal year 2019 as 2019-14, and in fiscal year 2020 as 2020-18)

**Prior Title:** Strengthen Communication and Procedures Related to Terminated Employees

Tidewater did not consistently apply its procedures for employees that terminated employment with the college.

- For two out of 26 employees tested (8%), Tidewater did not remove access to pay and leave systems timely, with removal dates ranging from eight to 71 days after termination.
- For three out of 11 employees tested (27%), Tidewater did not retain the separation checklists, which document the proper collection of physical items (charge cards, travel cards, keys, etc.) upon termination; therefore, we could not be determine if Tidewater properly completed this step of the termination process.
- For three out of 39 employees tested (8%), Tidewater did not remove access to the Commonwealth's purchasing system timely, with removal dates ranging from 6 to 39 business days after termination.

The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. According to Tidewater Policy 5201 - Access to Information Systems Containing Sensitive Data Policy, access should be removed within five business days from the date the employee is terminated. Per Tidewater procedure, established by the Human Resources Department (Human Resources), supervisors must submit the termination form within three days from the employee's last day of employment.

By not removing access timely, Tidewater increases the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deletion of access to

systems exposes Tidewater to inappropriate activity by individuals no longer employed by the institution. For system access, the employees' supervisor did not timely submit the separation forms in accordance with Tidewater's policies and procedures due to the hybrid nature of work during the COVID pandemic, and insufficient communication.

Tidewater should continue to strengthen communications between supervisors, Human Resources, and IT to ensure the timely completion and retention of employee separation forms, timely removal of all access, and proper collection of physical items. Management has already taken some action by sending an agency-wide communication to supervisors regarding submitting termination forms timely and has added a responsibility to the supervisor job descriptions for supervisors to ensure supervisors submit employee termination information timely. Management should ensure that Human Resources monitors the other departments to ensure they are consistently complying with the termination policies and procedures and provide training as necessary. Additionally, Tidewater should retain documentation showing the timely removal of access for terminated employees.

**2021-17: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act**

**Topic:** Information System Security

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2020 as 2020-21)

**Prior Title:** Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act

Tidewater continued to omit certain required elements of risk to its IT environment within its college-wide risk assessments. Institutions of Higher Education, because of their engagement in financial assistance programs, are considered financial institutions that must comply with Public Law 106-102, known as the Gramm-Leach-Bliley Act (GLBA). Related federal regulations in 16 CFR § 314.4 requires organizations to develop, implement, and maintain the information security program to safeguard customer information and complete a risk assessment that includes consideration of risks and mitigating controls in each relevant area of operation. The regulations require a risk assessment that considers risks for the following:

- employee training and management;
- information systems, including network and software design, as well as information processing, storage, transmission, and disposal; and
- detecting, preventing, and responding to attacks, intrusions, or other system failures.

Without performing the risk assessment process and considering all elements required by the GLBA, Tidewater may not be able to ensure the security and confidentiality of customer information. Additionally, incomplete risk assessments may result in improper or insufficient controls to protect against anticipated threats or hazards. Tidewater did not prioritize addressing the previous year's management recommendation, and as a result, Tidewater did not modify its risk assessments to align with the requirements of the GLBA.



Tidewater should prioritize its plan to develop risk assessments and ensure it evaluates all elements and risks as required by the GLBA that may impact the college. As part of the risk assessment process, Tidewater should identify controls and safeguards that are either in place or missing to mitigate the risks identified in the risk assessment. Tidewater should develop a corrective action plan for implementing any missing controls. This process will assist Tidewater in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.

**2021-18: Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2018 as 2018-62)

**Prior Title:** Improve Reporting to National Student Loan Data System

During aid year 2021, Tidewater Registrar's Office personnel did not report accurate and/or timely enrollment data to NSLDS for students that had graduated, withdrawn, or changed enrollment levels. Management indicated a lack of adequate employee resources and lack of clearly defined procedures for enrollment reporting as the underlying causes for the errors noted. We identified the following deficiencies from a review of 54 students:

- for four students (7%), the Registrar's Office did not accurately report at least one campus or program level field deemed critical. Since no withdrawal line was initially submitted, each student's enrollment status is inaccurate; and for two students, the Registrar's Office did not report the withdrawn status in the correct period;
- for four students (7%), the effective date was inaccurate; and
- for 13 students (24%), the Registrar's Office did not make timely enrollment status changes.

In accordance with Code of Federal Regulations 34 CFR § 685.309 and further outlined in the NSLDS Enrollment Guide, Institutions must report enrollment changes to NSLDS within 30 days when attendance changes, unless submitting a roster file within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. Inaccurate data submissions to NSLDS can affect the reliance placed on the system by Education for monitoring purposes. Noncompliance may also have implications on an institution's participation in Title IV programs and can potentially impact loan repayment grace periods.

Management should develop and implement written specific procedures relating to enrollment reporting that align with federal regulations. Management should ensure that the Registrar's Office reports student status changes accurately and timely to NSLDS. Management should implement corrective action to prevent future noncompliance and should consider implementing a QCR process to monitor the accuracy and timeliness of submitted enrollment batches at both the campus and program levels in NSLDS.



## J. SARGEANT REYNOLDS COMMUNITY COLLEGE

### **2021-19: Strengthen Communications and Procedures Related to Terminated Employees**

**Topic:** Human Resources and Payroll

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2017 as 2017-49)

**Prior Title:** Improve Internal Controls over Terminated Employees

Reynolds did not consistently apply System procedures for employees that terminated employment with the college during the fiscal year. In addition, Reynolds did not ensure that departments properly completed documentation certifying they reviewed system access annually. As a result, we identified the following:

- For two out of 16 employees tested (13%), Reynolds did not remove access to the Commonwealth's purchasing system in a timely manner, with removal dates ranging from 24 to 26 days after termination.
- For one out of five employees tested (20%), Reynolds did not remove access to the administrative information system in a timely manner, with access active after termination date of March 24, 2021, to the date of audit.
- For 13 out of 21 employees tested (62%), Reynolds did not consistently apply its procedures to remove access to pay and leave systems timely, with removal dates ranging from nine to 337 days after termination.
- For two out of 25 annual system security access forms reviewed (8%), Reynolds did not ensure the proper completion of forms by departments due to departments failure to complete the checklist showing corrective actions needed. However, departments signed the forms indicating that the departments performed the annual system access review.

The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. Additionally, section 9.2.5 – Review of User Access Rights, states user access rights will be reviewed at regular intervals, at least annually; and after any changes, such as promotion, demotion, or termination of employment.

By not removing access timely, Reynolds increases the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deletion of access to systems can expose Reynolds to inappropriate activity by individuals no longer employed. Since the Commonwealth's purchasing system is a web-based application accessible from anywhere, removing users from Reynold's internal network is not sufficient. Untimely user access deactivations may compromise the protection and integrity of the Commonwealth's purchasing system's confidential data.

As part of Reynolds' employee termination procedures, supervisors notify Human Resources and IT when an employee has left or will be leaving so that they can begin the termination process. IT is responsible for removing system access. In these instances, breakdowns in communication between supervisors and the other departments resulted in delays, as well as departmental misunderstanding of deactivation procedures for the Commonwealth's procurement system, which led to untimely completion of key termination processes.

Reynolds should ensure that management deactivates terminated employees' access to all Commonwealth and System information systems in accordance with the System's Security Standard. Specifically, management should improve communication between human resources and other departments to ensure the timely notification of the appropriate responsible parties of critical systems upon the termination of employees. Additionally, IT should ensure that departments perform and properly document annual reviews to ensure access is being removed in accordance with policies and procedures.

**2021-20: Ensure Terminated Employees are Properly Terminated in the Commonwealth's Payroll System**

**Topic:** Human Resources and Payroll

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Reynolds does not have adequate controls in place to ensure that Shared Services properly removes employees from the Commonwealth's payroll system that Reynolds terminates within their human resource system. As a result, 85 employees terminated during fiscal year 2021 remained active in the Commonwealth's payroll system after fiscal year-end. In addition, Reynolds does not have policies and procedures in place to ensure the timely reporting of terminated employees' information to Shared Services.

CAPP Topic 50320 requires agencies to change the employee status in the Commonwealth's payroll system once agencies make final payments to terminated employees. When the agency changes the employee status to terminated, the system automatically changes the payroll frequency, turns off any direct deposit checking deductions, and zeroes any remaining leave balances for the employee. If the agency does not follow proper termination procedures, incorrect payments, incorrect reporting of state and federal taxes, and improper Commonwealth payroll system file maintenance can occur.

Due to lack of communication between Reynolds and Shared Services, Shared Services did not terminate the employees within the Commonwealth's payroll system. Reynolds should develop and implement policies and procedures to ensure that there is regular communication between Reynolds and Shared Services regarding terminated employees. Lastly, these policies and procedures should outline Reynolds responsibilities and Shared Services responsibilities as it relates to terminating employees.

**2021-21: Properly Accrue Prepaid Expenses****Topic:** Financial Accounting and Reporting**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

Reynolds did not properly calculate the prepaid portion of expenses during fiscal year 2021, resulting in the overstatement of 24 of 57 (42%) prepaid expenses by a total of \$26,876. Reynolds recorded the entire invoice amounts as prepaid expenses despite some of the service period dates occurring during fiscal year 2021, and only a portion of the expense was attributable to a future accounting period.

CAPP Manual Topic 20310 defines an advanced payment as a payment made prior to receipt of goods or services. In accordance with GAAP, accrual accounting requires charging expenditures to the fiscal year and period in which goods are received or services performed. A prepaid expense is an expenditure paid for in one accounting period that an entity will not consume until a future period. When the entity eventually consumes the asset, it should charge an expense. Errors reported in the financial schedules submitted to System Office result in inaccurate amounts in the consolidated financial statements.

Reynolds does not have a policy or procedure addressing the proper accrual of prepaids for partial performance of services in the current year in accordance with GAAP and CAPP Manual guidance. Reynolds should develop and implement policies and procedures that address the appropriate valuation of prepaid items based on prorating the expense between accounting periods based on the applicable covered period.

**2021-22: Develop and Implement Policies and Procedures to Comply with 1,508 Rule for Wage Employees****Topic:** Human Resources and Payroll**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

During fiscal year 2021, Reynolds did not have adequate controls or processes in place to ensure wage employees did not exceed 1,508 hours worked during the Commonwealth's Standard Measurement period of May 1, 2020, through April 30, 2021. As a result, management did not actively monitor its wage employees to ensure they did not exceed the maximum allowable hours during the period, and we identified one wage employee that worked 1,520.60 hours during this period.

Chapter 1289 § 4-7.00 g. of the 2020 Virginia Acts of Assembly limits non-benefited employees to working no more than an average of 29 hours per week in the one-year measurement period of May 1 to April 30. The Commonwealth developed this policy to ensure compliance with the requirements of the Affordable Care Act, which could bring penalties for noncompliance.

Management should comply with Chapter 1289 § 4-7.00 g. of the 2020 Virginia Acts of Assembly and ensure wage employees do not exceed 1,508 hours worked during the Commonwealth's Standard Measurement Period. To ensure compliance with these requirements, Reynolds should develop and implement formal documented policies and procedures over monitoring and tracking hours for wage employees and reinforce the importance of not exceeding the annual hour limit.

**2021-23: Improve Internal Controls over New Hire Documentation**

**Topic:** Human Resources and Payroll

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

During fiscal year 2021, Reynolds did not have sufficient processes and controls over the employment eligibility process. Reynolds did not complete Employment Eligibility Verification forms (I-9) in accordance with guidelines issued by the U.S. Citizenship and Immigration Services of the Department of Homeland Security (Homeland Security). We noted the following deficiencies for the 15 employees tested:

- Reynolds did not complete Section 2 of the I-9 form within three business days of the employee's completion of Section 1 for two (13%) new hires; and
- E-Verify reports were not prepared within three business days of the employee's start date for six (40%) new hires.

The Immigration Reform and Control Act of 1986 requires that all employees hired after November 6, 1986, to have a Form I-9 completed to verify both employment eligibility and identity. Homeland Security's instructions for Form I-9 Employment Eligibility Verification states that the employer must complete Section 2 by examining evidence of identity and employment authorization within three business days of the employee's first day of employment. Additionally, Homeland Security's E-Verify User Manual states that employers who participate in E-Verify must create a case for each newly hired employee no later than the third business day after he or she starts work for pay.

Not complying with federal regulations related to employment verification could result in civil and/or criminal penalties and debarment from government contracts. By not performing due diligence with regard to I-9s as required by the Immigration Reform and Control Act of 1986, Reynolds is in noncompliance. Untimely completion of the employee's eligibility verification, lack of communication between departments, and insufficient controls surrounding the completion of Form I-9 caused this oversight. Reynolds should evaluate current procedures for completing the I-9 form and implement corrective action to prevent future noncompliance.

**2021-24: Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems**

**Topic:** Human Resources and Payroll

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Reynolds did not retain documentation showing that they regularly reviewed the Centralized State Systems Cancelled Records Report (Cancelled Records Report) in accordance with Virginia Retirement System (Retirement System) Policies. As Reynolds cannot provide evidence that they performed these reviews, we could not obtain assurance over this part of the reconciliation process.

CAPP Manual Topic 50410 requires that employers who use the Commonwealth's personnel system must review the Cancelled Records Report daily to ensure the agency recorded all information in the retirement benefits system. This process intends to assist with the daily reconciliations, so agencies do not have to manually enter the information. Additionally, the Retirement System Employer Manual section entitled "Enroll and Maintain Employees" dictates that employers who use the Commonwealth's personnel system must review the Cancelled Records Report daily and update the systems as necessary.

By not performing pre-certification process properly, Reynolds increases the risk that information in the Commonwealth's retirement benefits system is incorrect. The Commonwealth uses its retirement benefits system to calculate retirement benefits, contribution amounts for employees and employers, and determine the pension liability for the entire Commonwealth, incorrect data may result in incorrect benefits payments to retirees, incorrect billings to employees and employers, and a misstatement in the Commonwealth's financial statements.

Reynolds should implement a process to ensure its Human Resources department reviews the Cancelled Records Reports daily to identify and clear any exceptions that occur during the daily interface between the Commonwealth's retirement benefits system and personnel system. Additionally, Reynolds should retain evidence of their review of the Cancelled Records Report. Not only will this ensure compliance with Commonwealth accounting policies and the Retirement System Employer Manual, but it is also a best practice to ensure that Human Resources properly performs and accurately records the reconciliations.

## LORD FAIRFAX COMMUNITY COLLEGE

### **2021-25: Continue to Improve System Access Controls**

**Topic:** Access Control

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2018 as 2018-14)

**Prior Title:** Improve Effectiveness of System Access Controls

Lord Fairfax did not perform an Annual Security Certification of the System's human resource system. As a result, the college did not conduct an annual review to ensure that employee access to the System's human resources system was reasonable. Although Lord Fairfax does have proper policies and procedures in place for the System's accounting information system and student information system, Lord Fairfax is not properly reviewing system access in accordance with their policies and procedures to properly identify and determine the reasonableness of access that causes segregation of duties or least privilege concerns. As a result, we noted the following system access concerns:

- One employee, responsible for updating payroll, had multiple unnecessary access roles within the System's human resource system, as the roles were not assigned based on the principle of least privileges.
- Two employees, including the one noted above, had conflicting roles in the System's human resource system, resulting in potential conflicts with segregation of duties.
- Six employees with access to the System's accounting information system had 63 roles with segregation of duties concerns.
- Eleven employees with access to the System's student information system had 35 roles with segregation of duties concerns and three of these employees had access to roles inconsistent with least privileges.

The System's Security Standard, Section 9.2.3 – Management of Privileged Access Rights, states that the principle of least privilege must be used by each college in assignment of security roles and responsibilities as allocation and use of privileges should be restricted and controlled. Section 9.2.5 – Review of User Access Rights states user access rights will be reviewed at regular intervals, at least annually; and after any changes, such as promotion, demotion, or termination of employment.

By not performing proper annual system access reviews, Lord Fairfax increases the risk of unauthorized individuals having access to state systems and sensitive information. Although Lord Fairfax did perform annual reviews of the System's accounting information system and student information system, Lord Fairfax does not have compensating controls in place for employees with segregation of duty conflicts due to staffing changes and the need for back-up users. Additionally, users retaining inappropriate or unnecessary system access roles increases the risk of unauthorized transactions due to

improper segregation of duties. Although Lord Fairfax reviews access as changes in an employee's status changes, the procedures in place are not sufficient to detect the noted system access concerns for the employees noted above, nor were there sufficient resources available to properly perform annual system access reviews over all systems due to recent staffing changes.

Lord Fairfax should perform and document an annual review of user access to the System's human resource system to ensure that access is based on the principle of least privileges. Additionally, Lord Fairfax should properly perform annual reviews over the System's accounting and student information systems to ensure proper evaluation of roles posing segregation of duties or least privilege concerns, and proper compensating controls are in place to reduce the risk of unauthorized transactions being performed.

**2021-26: Perform Federal Aid Program Reconciliations**

**Topic:** Financial Accounting and Reporting

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2018 as 2018-20)

**Prior Title:** Maintain Documentation for Federal Aid Program Reconciliation

The Lord Fairfax Business Office did not perform reconciliations of federal aid program payments during fiscal year 2021. The Business Office did not complete the monthly federal aid reconciliations between the federal payment system and Lord Fairfax's accounting information system, nor did the Business Office obtain, review, or retain the documentation necessary to complete the reconciliation. Additionally, due to staff turnover and reallocation of responsibilities, Lord Fairfax has not implemented policies or procedures to perform the federal aid program reconciliations.

In accordance with 34 CFR § 675.19(b)(2)(IV) and 685.300(b)(5), institutions must establish and maintain program and fiscal records and reconcile the records at least monthly. Additionally, CAPP Manual Topic 21005 Records and Retention states agencies should develop and implement procedures, guidelines, systems, and business practices that facilitate the creation, backup, preservation, filing, storage, and disposal of records of all formats. The Department of Accounts and the Library of Virginia established the minimum retention period for fiscal records at three years.

Without performing the monthly reconciliation of the federal aid programs and accounting information system, Lord Fairfax is unable to identify potential underlying issues that could become a systemic problem. Systemic problems could result in federal non-compliance, which may lead to potential adverse actions by Education and affect Lord Fairfax's participation in Title IV programs. Management is unable to hold staff accountable for timeliness, proper completion, and researching discrepancies in the reconciliations. Not performing the reconciliations and lack of implementation of policies and procedures regarding the monthly reconciliation of the financial aid award accounts increase risk of errors in awarding federal aid.

Lord Fairfax management should assign staff to perform federal aid program reconciliations. Additionally, management should implement policies and procedures to ensure staff are properly performing the reconciliations. Management should also have a contingency plan to ensure the Business Office appropriately reassigns duties during periods of turnover.



**2021-27: Continue to Ensure Proper Capitalization and Retention of Records for Capital Assets**

**Topic:** Capital Assets

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2018 as 2018-11 and 2018-13)

**Prior Titles:** Ensure Staff Responsible for Capital Asset Inventory Receive Training on the Topic and Ensure Proper Capitalization of Capital Assets

Lord Fairfax is not properly capitalizing assets in accordance with the CAPP Manual. Lord Fairfax management is not holding employees accountable to policies and procedures, causing errors and discrepancies within the accounting information system due to improper capitalization of assets. For ten out of the 11 (91%) capital asset additions tested, Lord Fairfax did not accurately report the capital asset costs within the accounting information system. For nine of the ten exceptions, Lord Fairfax averaged the costs over the assets, rather than using the actual costs. For the remaining exception, the error was due to a transposition error, resulting in understating the asset's value in the accounting information system. Additionally, Lord Fairfax did not retain records of the physical inventory performed during the fiscal year. Since our prior audit, Lord Fairfax implemented policies and procedures for capital asset inventory; however, the policies do not address the maintenance of physical inventory records. According to management, the two employees that performed the physical inventory during the fiscal year separated from Lord Fairfax and did not retain documentation related to the performance of the physical inventory. Furthermore, Lord Fairfax could not locate documentation for five out of five (100%) capital assets disposed of during the fiscal year.

CAPP Manual Topic 30210 states that agencies should value capital assets at actual cost. Agencies should estimate costs only when the actual cost is not readily determined. As the invoice clearly distinguished between the assets and their individual costs, their actual costs were readily determined. CAPP Manual Topic 30505 states, "Records should be maintained for a period of at least three years or longer, if necessary, to be in compliance with policies established by the Records Management Section, the Library of Virginia. The retention period generally starts at the close of the fiscal year."

By improperly recording the cost of capital assets, Lord Fairfax increases the risk of inaccurate reporting information in the accounting information system and the financial statements. Additionally, this can lead to the college improperly valuing subsequent transactions related to those assets – such as sale, transfer, or disposition. Without proper inventory documentation, the disposition of capital assets cannot be determined; this increases the risk of misappropriation of Commonwealth property, and it may also contribute to inaccurate information in the accounting information system. Additionally, Lord Fairfax increases risk of improper disposal of capital assets by not retaining documentation supporting capital asset dispositions.

Lord Fairfax should ensure staff properly value capital assets and record them accurately in the accounting information system. Lord Fairfax should also ensure staff follow policies and procedures and retain all appropriate records. Additionally, management should develop a contingency plan to ensure



the retention of capital asset physical inventory records upon employee separation. Lord Fairfax should evaluate current inventory and tracking procedures and implement corrective action to ensure staff are properly monitoring capital assets in accordance with state requirements.

**2021-28: Ensure Compliance with Cash Management Requirements**

**Topic:** Cash Management

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Lord Fairfax did not follow Commonwealth requirements for its local funds bank accounts. One of the two bank accounts reviewed contained 25 outstanding checks that were more than one year after they became payable, with a monetary value of \$5,354.18.

Code of Virginia § 55-210.9 states that all intangible property held for the owner by any government or governmental subdivision, or agency, public corporation, or public authority is presumed abandoned if it has remained unclaimed by the owner for more than one year after it became payable. Intangible property includes checks, as defined in Code of Virginia § 55-210.2 and that abandoned property is subject to the custody of the Commonwealth. The Commonwealth's Department of the Treasury's (Treasury) Division of Unclaimed Property (Unclaimed Property) serves as the custodian of abandoned property for the Commonwealth. However, institutions should return federal funds for unclaimed student financial aid promptly to Education.

As Lord Fairfax did not surrender the abandoned checks to Unclaimed Property in a timely manner, Lord Fairfax is not complying with the applicable state laws. Lord Fairfax does not have policies and procedures to address outstanding checks; therefore, Lord Fairfax should develop policies and procedures to address stale dated checks and properly and timely remit the funds to Unclaimed Property or Education, as applicable.

**2021-29: Strengthen Communications and Procedures Related to Terminated Employees**

**Topic:** Human Resources and Payroll

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Lord Fairfax did not consistently apply the System's procedures for employees that terminated employment with the college during the fiscal year.

- For four out of 15 employees tested (26.67%), Lord Fairfax did not remove access to pay and leave systems timely, with removal dates ranging from 22 to 340 days after termination.
- For five out of nine employees tested (55.56%), Lord Fairfax did not ensure the timely collection of issued physical items (charge cards, travel cards, keys, etc.) upon termination according to the System's Policy. For two of these employees, Lord Fairfax could not provide documentation related to the collection of physical items; therefore, it could not be determined if Lord Fairfax properly completed the termination process.

The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states that agencies will remove the access rights of all employees upon termination of their employment within five business days. The standard states in addition to information technology system access, access rights covered by this policy include "physical and logical access, keys, identification cards, information processing facilities, subscriptions, and removal from any documentation that identifies an employee as a current member of the organization."

By not removing access timely, both to systems and physical items, Lord Fairfax increases the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deletion of system access exposes Lord Fairfax to inappropriate activity by individuals no longer employed by the college. As part of Lord Fairfax's employee termination procedures, supervisors must notify Human Resources when an employee has left or will be leaving so that Human Resources can begin the termination process, which includes sending a notification to IT and the supervisor, informing them of their responsibility in the termination process. The IT department is responsible for removing system access while the supervisors are responsible for collecting physical items and completing the required capital asset collection form. In these instances, breakdowns in communication between supervisors and the other departments resulted in delays, leading to untimely completion of key termination processes.

Lord Fairfax should strengthen communications between supervisors and the Human Resources and IT Departments so that staff complete the termination processes timely. Lord Fairfax should ensure that supervisors complete the employee separation documentation timely and to ensure the removal of all access and proper collection of physical items occurs. Management should ensure that the Human Resources department monitors the other departments to ensure they are consistently complying with the termination policies and procedures and provide training, as necessary.

**2021-30: Improve Internal Controls over Accounts Receivable Reporting**

**Topic:** Financial Accounting and Reporting

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Lord Fairfax did not provide sufficient documentation to explain significant accounts receivable fluctuations between prior and current fiscal years. Additionally, management did not provide supporting documentation for the accounts receivable activity in the fourth quarter of fiscal year 2021 that the System Office uses to compile the financial statements.

CAPP Manual Topic 20505 Accounts Receivable requires that agencies properly and accurately record, age, and account for all receivable transactions. CAPP Manual Topic 20505 further states that "all adjustments, write-offs and discharges are properly authorized, documented, and made in accordance with established policies, procedures and legal requirements." Additionally, CAPP Manual Topic 21005 Records and Retention states that "agencies should develop and implement procedures, guidelines, systems, and business practices that facilitate the creation, backup, preservation, filing, storage, and disposition of records of all formats." Agencies should retain all records following established minimum retention period per guidelines.

Lord Fairfax's policies and procedures do not address internal controls related to the accounts receivable reporting process, including the following best practices of accuracy verification, supervisory review with documented evidence of approval, and adequate supporting documentation. A lack of detailed written policies and procedures over critical business processes increases the risk of inconsistent application of the internal control process. Additionally, improper tracking of accounts receivable may result in the System's financial statements reporting inaccurate amounts.

Lord Fairfax management should update policies and procedures over the accounts receivable process to address internal controls related to reporting and the retention of internal records. Additionally, management should retain records in accordance with CAPP Manual requirements.

**2021-31: Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems**

**Topic:** Human Resources and Payroll

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Lord Fairfax did not retain documentation related to the reconciliation of data elements between the Commonwealth's retirement benefits system and the System's human resource system before certifying information to the Retirement System. Additionally, since fiscal year 2020, Lord Fairfax has not regularly reviewed or maintained evidence of review for the Cancelled Records Report in accordance with Retirement System Policies.

CAPP Manual Topic 50410 and the Retirement System Employer Manual require a creditable compensation and data elements reconciliation between the human resource and retirement benefits systems monthly before confirming the contribution. As Lord Fairfax has not retained documentation supporting a reconciliation of data elements between these systems, we could not obtain assurance over this part of the reconciliation process. Additionally, the Retirement System Employer Manual section: entitled "Enroll and Maintain Employees" dictates that employers who use the Commonwealth's personnel system must review the Cancelled Records Report daily and update the systems as necessary.

Not performing pre-certification processes can affect the integrity of the information in the Commonwealth's retirement benefits system that determines pension liability calculations for the entire Commonwealth and can result in a misstatement in the Commonwealth's financial statements. Additionally, not performing reconciliations timely can cause errors in members' retirement related data and can cause under or overpaying retirement contributions to the retirement benefit system, which can create complications when members retire.

While Lord Fairfax has historically reconciled transactions related to data elements, such as new hires and terminations, within the System's human resource system as they occur, they do not retain documentation related to their review. Additionally, due to lack of management oversight and a change in the Cancelled Records Report name, which Lord Fairfax was unaware of, they stopped retaining evidence of reviewing this report in August 2019 and stopped reviewing the report altogether when the previous report name no longer appeared in their report repository.

Lord Fairfax should create and document a process for reconciling data elements between the Commonwealth's retirement benefits system and the System's human resource system before certifying information to the Retirement System. Lord Fairfax should also resume reviewing the Cancelled Records Report daily to clear any exceptions that occur during the daily interface between Commonwealth's retirement benefits system and personnel system. Lastly, Lord Fairfax should retain evidence of their review of the Cancelled Records Report and other documentation to support the monthly reconciliations.

## NEW RIVER COMMUNITY COLLEGE

### **2021-32: Strengthen Communications and Procedures Related to Terminated Employees**

**Topic:** Human Resources and Payroll

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

New River did not consistently deactivate system access in a timely manner for employees that terminated employment with the college. In addition, New River does not have written policies and procedures for terminated employees. As a result, we noted the following deficiencies:

- One out of four (25%) wage employees tested had system access removed 65 days after termination date.
- Three out of three (100%) adjunct employees tested had access removed 342 to 451 days after termination date.

The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states that agencies will remove access rights of all employees upon termination of their employment within five business days. Section 9.2.6 defines access rights that agencies should remove including: physical and logical access, keys, identification cards, information systems and data, subscriptions, and removal from any documentation that identifies them as a current member of the College.

By not removing access in a timely manner, New River is increasing the risk that terminated employees may retain unauthorized access to state systems and sensitive information. Untimely deletion of access to systems can expose the College to inappropriate activity by individuals no longer employed by the institution. According to management, timely communication between supervisors and Human Resources continues to be a challenge when employees terminate without notification, which results in untimely access removal.

New River should strengthen communications between supervisors, Human Resources, and IT Departments so that staff complete the termination processes timely. Management should ensure that Human Resources monitors the other departments to ensure they are consistently complying with the termination policies and procedures and provide training, as necessary. New River should develop and

implement written policies and procedures related to terminated employees. This policy should include the process used by New River to ensure access termination is in accordance with the System's Security Standard.

## RAPPAHANNOCK COMMUNITY COLLEGE

### **2021-33: Ensure Annual Review of Account Systems is Performed**

**Topic:** Access Control

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Rappahannock did not perform the required annual security reviews for the accounting information system or the student information system during fiscal year 2021. The System's Security Standard for User Access Management, Section 9.2.5, requires each college to certify that they have reviewed access for these systems each year.

Section 9.2.5 of the System's Security Standard requires annual reviews to ensure that users' access rights are appropriate for their current positions while maintaining segregation of duties and least privilege. Rappahannock did not perform the required annual reviews of the accounting and student information systems, increasing the risk that there may be users with improper access to the systems, performing unauthorized transactions, and incorrect information in the financial statements. By not properly monitoring critical system access, Rappahannock may increase the risk of compromising data integrity and may also increase unnecessary exposure to sensitive data. In addition, when user access violates the principle of least privilege, there is an increased risk that users can use the access to perform unauthorized transactions. In the case where there is no appropriate segregation of duties, there is an increased risk in the occurrence of negligent or deliberate system misuse, and that users can circumvent other compensating controls and perform unauthorized transactions.

Rappahannock experienced turnover in its IT Department. The designated security administrators for the accounting and student information systems were unaware of the requirement to perform the annual reviews and certifications. Rappahannock should ensure new IT staff receive training as to the requirements of their positions and ensure IT staff perform reviews of all information systems at least annually.

### **2021-34: Improve Internal Controls over Timing of Cash Collection Deposits**

**Topic:** Cash Management

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

Rappahannock did not deposit their daily cash collections timely. For 13 out of 30 deposits tested (43.33%), Rappahannock made these deposits between two to 13 business days after the receipt date.

CAPP Manual Topic 20205 – Deposits states that “the processing and deposit of State receipts will be completed on the day received or no later than the next business day.” Additionally, the CAPP Manual requires agencies to request an exception to the deposit requirements for any extenuating circumstances from the Cash and Banking Manager within Treasury. By not making deposits timely, Rappahannock increases the risk of misappropriating cash, and not having funds available to meet financial obligations as they come due.

During a portion of the audit period Rappahannock staff were not on campus due to COVID-19 protocols, and during this time staff did not use alternative deposit methods, such as remote capture. Additionally, Rappahannock did not contact Treasury to request an exception to the deposit requirements.

Rappahannock should consider alternate deposit arrangements, such as remote capture, to ensure the timeliness of deposits. Additionally, Rappahannock should contact Treasury to request an exception to the deposit requirements as need arises.

**2021-35: Update Policies and Procedures for Cash Management Requirements**

**Topic:** Cash Management

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued for fiscal year 2018 as 2018-64)

**Prior Title:** Update Policies and Procedures for Cash Management Requirements

Rappahannock did not follow Commonwealth requirements or the System’s guidance for its local funds bank accounts. One of the two non-federal funds bank accounts had \$4,237.48 in outstanding checks that were more than one year after they became payable, and the federal funds bank account had \$242.10 in outstanding checks that were more than one year after they became payable. Many of these items were outstanding during the prior audit in fiscal year 2018. Additionally, Rappahannock does not maintain its petty cash account with a balance of \$40,373.10 at fiscal year-end in its accounting information system, nor did it report this account in the System’s Local Schedule, as per the Schedule’s instructions.

Code of Virginia § 55-210.9 states that all intangible property held for the owner by any government or governmental subdivision, or agency, public corporation, or public authority is presumed abandoned if it has remained unclaimed by the owner for more than one year after it became payable. Intangible property includes checks, as defined in Code of Virginia § 55-210.2 and that abandoned property is subject to the custody of the Commonwealth. Unclaimed Property serves as the custodian of abandoned property for the Commonwealth. However, institutions should return federal funds for unclaimed student financial aid promptly to Education. Additionally, in February 2015, the System Office advised the colleges to dissolve their state petty cash accounts and use a local account to handle any petty cash activity. The System Office later instructed the colleges to setup a local petty cash fund in their accounting information system. The System’s Policy Manual, Section 4.2.2 (a), states colleges should account for local and agency funds activity within the System’s accounting system.

As Rappahannock did not surrender the abandoned checks to Unclaimed Property in a timely manner or return the unused federal funds to Education, Rappahannock is not complying with the applicable state and federal laws and regulations. Additionally, although Rappahannock dissolved its state petty cash account, it did not create a local petty cash account in its accounting information system as instructed by the System Office. Misstatement of the financial statements is possible as a result of accounts set up outside of the System's accounting system and not reported in the System's Local Schedule.

During the prior audit, we noted that Rappahannock lacked adequate policies and procedures to address outstanding checks, a lack of adequate staff training on bank reconciliations, and staff were unaware of state compliance and the System's policy requirements. Rappahannock did not address these items due to staff turnover. Rappahannock should update its policies and procedures to address stale dated checks and properly and timely remit the funds to Unclaimed Property or Education, as applicable. Additionally, Rappahannock should create a local petty cash account in its accounting information system to properly record and monitor activity in this account or close the petty cash account if the college no longer needs the account.

**2021-36: Strengthen Communications and Procedures Related to Terminated Employees**

**Topic:** Human Resources and Payroll

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Rappahannock did not consistently apply System procedures for employees that terminated employment with the college during the fiscal year.

- For five out of 13 employees tested (38%), Rappahannock did not consistently apply its procedures to remove access to pay and leave systems timely, with removal dates ranging from 11 to 150 days after termination.
- For one out of seven employees tested (14%), Rappahannock did not ensure the timely collection of physical items (charge cards, travel cards, keys, etc.) upon termination according to the System's policy for all employees; thus, we could not determine if Rappahannock properly completed this step of the termination process.

The System's Security Standard, Section 9.2.6 – Removal or Adjustment of Access Rights, states that the access rights of all employees will be removed upon termination of their employment and access should be removed within five business days. The standard states in addition to information technology system access, access rights covered by this policy include "physical and logical access, keys, identification cards, information processing facilities, subscriptions, and removal from any documentation that identifies an employee as a current member of the organization."

By not removing access timely, both system access and physical items, Rappahannock is increasing the risk that terminated employees may retain unauthorized access to state systems and



sensitive information. Untimely deletion of access to systems can expose the college to inappropriate activity by individuals no longer employed by the institution. As part of Rappahannock's employee termination procedures, supervisors will notify the Human Resources department when an employee has left or will be leaving so that Human Resources can begin the termination process, which includes sending a notification to IT and the supervisor, informing them of their responsibility in the termination process. The IT department is responsible for removing system access while the supervisors are responsible for collecting physical items and completing the necessary capital asset collection form. In these instances, breakdowns in communication between supervisors and the other departments resulted in delays, leading to untimely completion of key termination processes.

Rappahannock should strengthen communications between supervisors and the Human Resources and IT departments to ensure the timely completion and retention of employee separation documentation, timely removal of all access, and proper collection of physical items. Management should ensure that Human Resources monitors the other departments to ensure they are consistently complying with the termination policies and procedures and provide training, as necessary. Additionally, Rappahannock should maintain documentation demonstrating the timely collection of physical items for terminated employees.

**2021-37: Improve the Annual Access Review of the Human Resources System to Ensure Appropriateness of System Access**

**Topic:** Access Control

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

During fiscal year 2021, Rappahannock did not perform a review of user access within the System's human resource system. As a result, two out of five (40%) of the employees tested have roles not in alignment with their job duties. Therefore, their access is not based on the principle of least privileges.

The System's Security Standard, Section 9.2.5 - Review of User Access Rights, requires colleges to review user access rights at regular intervals; at least annually; and after any changes, such as promotion, demotion, or termination of employment. By not properly conducting the security review, Rappahannock may increase risk of users retaining access to sensitive information. Additionally, users retaining inappropriate or unnecessary system access roles increases the risk of unauthorized human resource transactions due to improper segregation of duties.

Rappahannock should perform an annual review of all user access for the System's human resource system to ensure they restrict access based on least privileges.



**2021-38: Perform and Document Reconciliation of Commonwealth's Retirement Benefits System****Topic:** Human Resources and Payroll**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** No

Rappahannock did not perform and document pre-certification reconciliations between the System's human resources system and the Commonwealth's retirement benefits system and did not retain documentation of post-certifications. Due to lack of policies and procedures, the employees responsible for the reconciliations were unaware of the requirements and expectations. While the college performed high level reconciliations, they did not meet the requirements of the CAPP Manual and the Retirement System Employer Manual.

CAPP Manual Topic 50410 and the Retirement System Employer Manual's Contribution Confirmation and Payment Scheduling section requires the monthly performance of a creditable compensation and data elements reconciliation between the System's human sources system and the Commonwealth's retirement benefits system. The reconciliation should occur before the college submits a contribution confirmation of benefits and after receiving the billing from the Retirement System. Additionally, CAPP Manual Topic 50905 requires agencies to maintain reconciliation documentation for five years or until audited.

By not performing reconciliations between the systems, changes in employment information – such as employee status or salary information – could go uncorrected, and potentially result in incorrect billings for retirement benefits, incorrect calculation of pension liabilities reported in the financial statements, and incorrect retirement benefits paid to retirees. Additionally, without sufficient documentation, there is no evidence supporting the completion of the reconciliations.

Rappahannock's management should develop and implement policies and procedures related to the performance and documentation of the reconciliation between the System's human resource system and the Commonwealth's retirement benefits system. Management should ensure that these procedures include the reconciliation of employee personnel data, creditable compensation, and review of canceled records reports and automated reconciliation reports.

**2021-39: Assign Contract Administrator Responsibilities in Writing****Topic:** Procurement/Contract Management**Type:** Internal Control**Severity:** Significant Deficiency**Repeat:** Yes (first issued for fiscal year 2018 as 2018-65)**Prior Title:** Assign Contract Administrator Responsibilities in Writing

Rappahannock did not properly assign responsibilities for its café vending contract. The Commonwealth's Agency Procurement and Surplus Property Manual Section 10.2 states that "all continuous or term contracts shall be assigned an administrator in writing." The designation letter should outline specific delegated tasks, which may include acceptance of goods or services, approval of

invoices, scheduling and monitoring of project progress, coordination of the provision of agency or other resources when part of the contract, and favorable or critical feedback to the contractor and buyer. When there is no proper assignment of contract administrator responsibilities, it increases the risk that Rappahannock will not have access to the missing commission payments for use in its daily operations.

During the prior audit, we determined that Rappahannock did not properly assign a contract administrator for its café vending contract. Rappahannock did not address this deficiency due to staff turnover. Rappahannock should assign contract administrators in writing with defined responsibilities as well as review current procedures for monitoring revenue-generating contracts and implement corrective measures. Management should ensure staff routinely monitor contracts to ensure that vendors are in compliance with terms of the contract.

## JOHN TYLER COMMUNITY COLLEGE

### **2021-40: Strengthen the Schedule of Expenditures of Federal Awards Process**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

John Tyler Business Office personnel did not properly prepare the Schedule of Expenditures of Federal Awards (SEFA). John Tyler overstated the schedule by \$2,493,031 due to double counting Federal Direct Loan expenditures.

In accordance with 2 CFR § 200.510(b) Schedule of expenditures of Federal awards of the Uniform Guidance, “the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with § 200.502.” Department of Accounts’ Comptroller’s Directive 2-21 provides specific directions for compiling the SEFA and supporting schedules, including the “total expenditures from each Federal program,” to support its preparation of the Commonwealth’s SEFA and related disclosures. Providing inaccurate amounts could result in misstatement of the Commonwealth’s SEFA and related disclosures. The Business Office should strengthen its current SEFA review process to include a comparison of recorded expenditures to corresponding federal drawdowns.

### **2021-41: Ensure an Accurate FISAP is Submitted to Education**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

John Tyler Business and Financial Aid Office personnel inaccurately reported total tuition and fees and total expended for state grants and scholarships in Section II of the Fiscal Operations Report and Application to Participate (FISAP). John Tyler understated tuition and fees by \$196,933 due to including continuing education and unearned revenue amounts. Additionally, John Tyler overstated total

expended for state grants and scholarships by \$2,033,274 due to incorrectly including state grants for which John Tyler makes the final recipient determination. The underlying cause of the errors are related to staff turnover and lack of management oversight.

In accordance with 34 CFR § 674.19, 675.19 and 676.19, an institution must submit a FISAP if it has expended campus-based program funds or has a Federal Perkins Loan Fund. Education provides FISAP instructions to advise institutions of what to report in Section II. Per this guidance, institutions should exclude tuition and fee revenue collected from individuals not meeting the description of an enrolled student, as well as state awards if the institution has the final decision on which students receive the funds. By inaccurately reporting information on the FISAP, Education does not have accurate information from which to make funding decisions. Management should review FISAP instructions to ensure the proper reporting of amounts on Section II, of the FISAP.

**2021-42: Improve Reporting to the Common Origination and Disbursement System**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

John Tyler Financial Aid Office personnel did not report disbursements timely to COD for four out of 40 students (10%). The underlying cause for the untimely reporting is related to employee turnover. We identified the following noncompliance:

- untimely reporting (18 days) of the disbursement for one student; and
- untimely reporting of the aid adjustment between 19 and 195 days for three students identified as unofficial withdrawals.

In accordance with Federal Register Volume 84, Number 212 and Volume 4, Chapter 2 of the Handbook, an institution must submit Direct Loan and Pell Grant disbursement records no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement. In accordance with 34 CFR § 668.164(a), Title IV funds are disbursed on the date that the institution (a) credits those funds to the student's account in the institution's general ledger or any subledger of the general ledger, or (b) pays those funds to the student directly. Title IV funds are disbursed even if the institution uses its own funds in advance of receiving program funds from Education. If an institution does not submit disbursement records within the required timeframe Education may reject all or part of the reported disbursement. This may result in an audit or program review finding or the initiation of an adverse action. John Tyler should enhance their current reporting procedures and implement corrective action to ensure that the Financial Aid Office is reporting student disbursements and/or aid adjustments timely to COD.

**2021-43: Promptly Return Unclaimed Aid to Department of Education****Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

John Tyler Business Office personnel did not return unclaimed student financial aid funds to Education within the required timeframe. Specifically, at the time of audit, John Tyler personnel did not return a total of \$28,055.35 for fiscal year 2021 timely, ranging from 290 to 609 days after check issuance. Employee turnover is the primary cause of the noncompliance.

In accordance with 34 CFR § 668.164(l), if an institution attempts to disburse the funds by check and the federal aid recipient does not cash the check, the institution must return the funds no later than 240 days after the date it issued that check, or no later than 45 days after the rejection of an electronic funds transfer (EFT). By not returning funds timely, the institution is subject to federal noncompliance and potential adverse actions that may affect the John Tyler's participation in Title IV aid programs.

John Tyler should ensure they return unclaimed funds to Education within the required timeframe when they cannot contact the federal aid recipient, and the check remains uncashed, or the EFT is rejected.

**2021-44: Properly Perform Return of Title IV Calculations****Topic:** Student Financial Assistance**Type:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

John Tyler personnel did not properly perform return of Title IV calculations for spring 2021 for two out of three students (67%) tested. The underlying cause of the errors is the college using an incorrect number of break days in the calculation.

According to 34 CFR § 668.22, 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. The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student scheduled to complete, except that institutions can exclude scheduled breaks of at least five consecutive days from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period. As noted in Volume 5 of the Handbook, institutions with a break of Monday through Friday must include the weekend before and weekend after unless the institution offered classes on the prior Saturday or Sunday.

Management should ensure that staff collaborate on the academic calendar to ensure personnel uses an accurate number of break days within the return of Title IV calculation. Management should implement corrective action to prevent future noncompliance.

**2021-45: Improve Federal Direct Loan Reconciliations**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

John Tyler personnel were unable to provide sufficient documentation showing monthly reconciliations of its accounting records with the federal system used to authorize and request federal student aid. The underlying cause is employee turnover. Specifically, for a sample of four reconciliations reviewed, we noted the following:

- For two (50%) months, John Tyler was unable to provide documentation that the Financial Aid Office completed a reconciliation.
- For one (25%) monthly reconciliation, John Tyler was unable to provide documentation that the Financial Aid Office completed a review of the reconciliation, including the ending cash balance.
- For one (25%) monthly reconciliation, there were four cash detail mismatch transactions totaling \$2,228,827 from the System's accounting system related to drawdowns that occurred in the previous four months.

According to 34 CFR § 685.300(b)(5) and 34 CFR § 685.102(b), institutions must reconcile institutional records with Direct Loan funds received from Education and Direct Loan disbursement records submitted to and accepted by Education. Each month, COD provides institutions with a data file which consists of a cash summary, cash detail, and loan detail records to aid in this reconciliation process. Chapter 6 – Reconciliation in the Direct Loan Program Handbook details the reconciliation requirements.

By not documenting a monthly reconciliation of Federal Direct Loans, John Tyler increases the risk of not identifying and resolving issues before they become a systemic problem. Systemic problems could result in federal noncompliance and may lead to potential adverse actions and may impact participation by the institution in Title IV programs.

The Business Office and Financial Aid Office should collaborate on improving the Federal Direct Loan reconciliation process. Specifically, the two offices should retain sufficient documentation, document the reason for reconciling items within the report and/or ending cash balance, and address reconciling items timely. Management should implement corrective action to ensure future compliance.

**2021-46: Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees**

**Topic:** Student Financial Assistance

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

John Tyler did not properly grant access to student information system roles and privileges for some Financial Aid Office personnel. The Financial Aid Counselor, Financial Aid Processing Specialist, and Student Loan Processing Specialist have the same assigned roles as the Director of Financial Aid. The reason for the improper access is related to employee turnover and not modifying access roles after the Financial Aid Office became fully staffed. By not assigning access based upon job responsibilities, John Tyler increases the risk of compromised data integrity and/or unnecessary exposure of sensitive data.

According to CFR § 200.303 – Internal Controls, the non-Federal entity must take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive, or the non-Federal entity considers sensitive consistent with applicable, Federal, State, and local laws regarding privacy and responsibility over confidentiality. In addition, ISO 27002, Section 9.1.1, further states that roles-based access control is an approach used to link access rights with business roles. John Tyler should grant access based on the principles of least privileges and in consideration of segregation of duties such only granting employees access to the information needed to perform their job responsibilities.

Management should perform a thorough evaluation of employees' access to ensure they are granting student information system roles on the concept of least privilege and job responsibilities.

**2021-47: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act**

**Topic:** Information Security

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

John Tyler does not consistently include certain required elements of risk to its IT environment and systems within its college-wide risk assessments.

Institutions of Higher Education, because of their engagement in financial assistance programs, are considered financial institutions that must comply with Public Law 106-102, known as the Gramm-Leach-Bliley Act (GLBA). Related federal regulations in 16 CFR § 314.4 requires organizations to develop, implement, and maintain an information security program to safeguard customer information and complete a risk assessment that includes consideration of risks and mitigating controls in each relevant area of operation. The regulations require a risk assessment that considers risks for the following:

- employee training and management;

- information systems, including network and software design, as well as information processing, storage, transmission, and disposal; and
- detecting, preventing, and responding to attacks, intrusions, or other system failures.

Without performing the risk assessment process and considering all elements required by the GLBA, John Tyler may not be able to ensure the security and confidentiality of customer information. Additionally, incomplete risk assessments may result in improper or insufficient controls to protect against anticipated threats or hazards.

John Tyler performed four risk assessments, which together represent its college-wide risk assessment. John Tyler was unaware of the GLBA requirements, causing them to not assess and document certain risk elements that may impact its IT environment and relative safeguards within its risk assessments.

John Tyler should review its risk assessments to ensure they evaluate all elements and risks as required by GLBA that may impact the college. As part of the risk assessment process, John Tyler should identify controls and safeguards that are either in place or missing to mitigate the risks identified in the risk assessment. John Tyler should develop a corrective action plan for implementing any missing controls. This process will assist John Tyler in evaluating its information security program and protecting the confidentiality, integrity, and availability of student information within its environment.



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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

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September 14, 2022

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

State Board for Community Colleges  
Virginia Community College System

## 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 **the Virginia Community College System (System)** as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Virginia Community College System's basic financial statements and have issued our report thereon dated September 14, 2022. 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 System, 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 System'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.



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 was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control which are described in finding numbers 2021-01 through 2021-47 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 System'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" with the following finding numbers:

Finding Numbers: 2021-

08	10	11	12	13	16	17	18
19	22	23	25	26	28	29	32
33	35	36	37	40	41	42	43
44	45	46	47				

## **The System's Response to Findings**

We provided management with a draft of this report on September 14, 2022, and discussed this report with management at an exit conference held on October 13, 2022. The System's response to the findings and recommendations identified in our audit is described in the accompanying section titled "Virginia Community College System – Report Response." The System'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 and Recommendations**

Due to the risk-based approach we use for determining which colleges are subject to testing each year, we did not test implementation of corrective actions of certain prior findings during the current year's audit. Testing of the corrective action for these findings has been deferred to subsequent audits of the System. Please see Appendix III: "Status of Prior Findings" for prior findings for which testing has been deferred.

With respect to prior audit findings for which we performed follow-up procedures during the current year, the System has not taken adequate corrective action to resolve the prior finding titles listed below, with the respective current finding number in parentheses.

- 2017-49: Improve Internal Controls over Terminated Employees (2021-19)
- 2018-11: Ensure Staff Responsible for Capital Asset Inventory Receive Training on the Topic (2021-27)
- 2018-13: Ensure Proper Capitalization of Capital Assets (2021-27)
- 2018-14: Improve Effectiveness of System Access Controls (2021-25)
- 2018-20: Maintain Documentation for Federal Aid Program Reconciliations (2021-26)
- 2018-42: Improve Reporting to National Student Loan Data System (2021-13)
- 2018-62: Improve Reporting to National Student Loan Data System (2021-18)
- 2018-64: Update Policies and Procedures for Cash Management Requirements (2021-35)
- 2018-65: Assign Contract Administrator Responsibilities in Writing (2021-39)
- 2020-02: Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment (2021-04)
- 2020-03: Address Inconsistencies in Employee Personnel Records (2021-05)

- 2020-05: Develop Procedures for Reviewing and Reacting to System and Organization Controls Reports (2021-03)
- 2020-13: Improve the Effectiveness of the Annual Systems Access Certification (2021-08)
- 2020-14: Continue to Improve Information Available to Community Colleges Related to Prepayments (2021-07)
- 2020-16: Strengthen Interdepartmental Communications Related to Terminated Part-Time Employees (2021-10)
- 2020-18: Continue to Strengthen Interdepartmental Communications Related to Terminated Employees (2021-16)
- 2020-19: Locate Equipment and Assign a Responsible Party that can be Held Accountable (2021-15)
- 2020-21: Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act (2021-17)

Accordingly, we designated these findings with a “Repeat: Yes,” “Repeat: Partial,” or “Repeat: Status Update” label in the section titled “Internal Control and Compliance Findings and Recommendations.” Additionally, refer to Appendix III: “Status of Prior Findings” for a cross-reference between the prior and current year findings.

### **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

JMR/clj

### SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
<b>System Office</b>		
<b>2021-01</b>	Provide Oversight and Guidance Related to College Financial Reporting	Financial Accounting and Reporting
<b>2021-02</b>	Improve Policy and Procedures for Capital Assets	Capital Assets
<b>2021-03</b>	Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports	Procurement/Contract Management
<b>2021-04</b>	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	Financial Accounting and Reporting
<b>2021-05</b>	Address Inconsistencies in Employee Personnel Records	Human Resources and Payroll
<b>Shared Service Center</b>		
<b>2021-06</b>	Develop and Implement Policies and Procedures Over Payroll Certifications and Reconciliations	Human Resources and Payroll
<b>2021-07</b>	Continue to Improve Information Available to Community Colleges Related to Prepayments	Financial Accounting and Reporting
<b>2021-08</b>	Improve the Effectiveness of the Annual Systems Access Certification	Access Control
<b>Northern Virginia Community College</b>		
<b>2021-09</b>	Improve the Monitoring of Critical System Access	Access Control
<b>2021-10</b>	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Human Resources and Payroll
<b>2021-11</b>	Reconcile Federal Assistance Programs	Student Financial Assistance
<b>2021-12</b>	Improve Notification Process for Federal Loan Awards to Students	Student Financial Assistance
<b>2021-13</b>	Improve Compliance over Enrollment Reporting	Student Financial Assistance
<b>Tidewater Community College</b>		
<b>2021-14</b>	Improve Capital Asset Inventory and Tracking	Capital Assets

### SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
<b>2021-15</b>	Continue to Strengthen Internal Controls Over Physical Inventory	Capital Assets
<b>2021-16</b>	Strengthen Communication and Procedures Related to Terminated Employees	Human Resources and Payroll
<b>2021-17</b>	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information Security
<b>2021-18</b>	Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System	Student Financial Assistance
<b>J. Sargeant Reynolds Community College</b>		
<b>2021-19</b>	Strengthen Communications and Procedures Related to Terminated Employees	Human Resources and Payroll
<b>2021-20</b>	Ensure Terminated Employees are Properly Terminated in the Commonwealth's Payroll System	Human Resources and Payroll
<b>2021-21</b>	Properly Accrue Prepaid Expenses	Financial Accounting and Reporting
<b>2021-22</b>	Develop and Implement Policies and Procedures to Comply with 1,508 Rule for Wage Employees	Human Resources and Payroll
<b>2021-23</b>	Improve Internal Controls over New Hire Documentation	Human Resources and Payroll
<b>2021-24</b>	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	Human Resources and Payroll
<b>Lord Fairfax Community College</b>		
<b>2021-25</b>	Continue to Improve System Access Controls	Access Control
<b>2021-26</b>	Perform Federal Aid Program Reconciliations	Financial Accounting and Reporting
<b>2021-27</b>	Continue to Ensure Proper Capitalization and Retention of Records for Capital Assets	Capital Assets
<b>2021-28</b>	Ensure Compliance with Cash Management Requirements	Cash Management
<b>2021-29</b>	Strengthen Communications and Procedures Related to Terminated Employees	Human Resources and Payroll

### SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
<b>2021-30</b>	Improve Internal Controls over Accounts Receivable Reporting	Financial Accounting and Reporting
<b>2021-31</b>	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	Human Resources and Payroll
<b>New River Community College</b>		
<b>2021-32</b>	Strengthen Communications and Procedures Related to Terminated Employees	Human Resources and Payroll
<b>Rappahannock Community College</b>		
<b>2021-33</b>	Ensure Annual Review of Account Systems is Performed	Access Control
<b>2021-34</b>	Improve Internal Controls over Timing of Cash Collection Deposits	Cash Management
<b>2021-35</b>	Update Policies and Procedures for Cash Management Requirements	Cash Management
<b>2021-36</b>	Strengthen Communications and Procedures Related to Terminated Employees	Human Resources and Payroll
<b>2021-37</b>	Improve the Annual Access Review of the Human Resources System to Ensure Appropriateness of System Access	Access Control
<b>2021-38</b>	Perform and Document Reconciliation of Commonwealth's Retirement Benefits System	Human Resources and Payroll
<b>2021-39</b>	Assign Contract Administrator Responsibilities in Writing	Procurement/Contract Management
<b>John Tyler Community College</b>		
<b>2021-40</b>	Strengthen the Schedule of Expenditures of Federal Awards Process	Student Financial Assistance
<b>2021-41</b>	Ensure an Accurate FISAP is Submitted to Education	Student Financial Assistance
<b>2021-42</b>	Improve Reporting to the Common Origination and Disbursement System	Student Financial Assistance
<b>2021-43</b>	Promptly Return Unclaimed Aid to Department of Education	Student Financial Assistance
<b>2021-44</b>	Properly Perform Return of Title IV Calculations	Student Financial Assistance
<b>2021-45</b>	Improve Federal Direct Loan Reconciliations	Student Financial Assistance

## SCHEDULE OF FINDINGS IN REPORT ORDER

Report ID Number/Entity	Finding Title	Topic
<b>2021-46</b>	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	Student Financial Assistance
<b>2021-47</b>	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Information Security

### SCHEDULE OF FINDINGS BY TOPIC

Finding Topic/Report ID	Finding Title	Entity
<b>Access Control</b>		
<b>2021-08</b>	Improve the Effectiveness of the Annual Systems Access Certification	Shared Service Center
<b>2021-09</b>	Improve the Monitoring of Critical System Access	Northern Virginia Community College
<b>2021-25</b>	Continue to Improve System Access Controls	Lord Fairfax Community College
<b>2021-33</b>	Ensure Annual Review of Account Systems is Performed	Rappahannock Community College
<b>2021-37</b>	Improve the Annual Access Review of the Human Resources System to Ensure Appropriateness of System Access	Rappahannock Community College
<b>Capital Assets</b>		
<b>2021-02</b>	Improve Policy and Procedures for Capital Assets	System Office
<b>2021-14</b>	Improve Capital Asset Inventory and Tracking	Tidewater Community College
<b>2021-15</b>	Continue to Strengthen Internal Controls Over Physical Inventory	Tidewater Community College
<b>2021-27</b>	Continue to Ensure Proper Capitalization and Retention of Records for Capital Assets	Lord Fairfax Community College
<b>Cash Management</b>		
<b>2021-28</b>	Ensure Compliance with Cash Management Requirements	Lord Fairfax Community College
<b>2021-34</b>	Improve Internal Controls over Timing of Cash Collection Deposits	Rappahannock Community College
<b>2021-35</b>	Update Policies and Procedures for Cash Management Requirements	Rappahannock Community College
<b>Financial Accounting and Reporting</b>		
<b>2021-01</b>	Provide Oversight and Guidance Related to College Financial Reporting	System Office
<b>2021-04</b>	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment Tuition	System Office
<b>2021-07</b>	Continue to Improve Information Available to Community Colleges Related to Prepayments	Shared Service Center



### SCHEDULE OF FINDINGS BY TOPIC

<b>2021-21</b>	Properly Accrue Prepaid Expenses	J. Sargeant Reynolds Community College
<b>2021-26</b>	Perform Federal Aid Program Reconciliations	Lord Fairfax Community College
<b>2021-30</b>	Improve Internal Controls over Accounts Receivable Reporting	Lord Fairfax Community College
<b>Human Resources and Payroll</b>		
<b>2021-05</b>	Address Inconsistencies in Employee Personnel Records	System Office
<b>2021-06</b>	Develop and Implement Policies and Procedures Over Payroll Certifications and Reconciliations	Shared Service Center
<b>2021-10</b>	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Northern Virginia Community College
<b>2021-16</b>	Strengthen Communication and Procedures Related to Terminated Employees	Tidewater Community College
<b>2021-19</b>	Strengthen Communications and Procedures Related to Terminated Employees	J. Sargeant Reynolds Community College
<b>2021-20</b>	Ensure Terminated Employees are Properly Terminated in the Commonwealth's Payroll System	J. Sargeant Reynolds Community College
<b>2021-22</b>	Develop and Implement Policies and Procedures to Comply with 1,508 Rule for Wage Employees	J. Sargeant Reynolds Community College
<b>2021-23</b>	Improve Internal Controls over New Hire Documentation	J. Sargeant Reynolds Community College
<b>2021-24</b>	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	J. Sargeant Reynolds Community College
<b>2021-29</b>	Strengthen Communications and Procedures Related to Terminated Employees	Lord Fairfax Community College
<b>2021-31</b>	Retain Documentation Related to Reconciliation Processes Between the Human Resource and Retirement Systems	Lord Fairfax Community College
<b>2021-32</b>	Strengthen Communications and Procedures Related to Terminated Employees	New River Community College

### SCHEDULE OF FINDINGS BY TOPIC

<b>2021-36</b>	Strengthen Communications and Procedures Related to Terminated Employees	Rappahannock Community College
<b>2021-38</b>	Perform and Document Reconciliation of Commonwealth's Retirement Benefits System	Rappahannock Community College
<b>Information Security</b>		
<b>2021-17</b>	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Tidewater Community College
<b>2021-47</b>	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	John Tyler Community College
<b>Procurement/Contract Management</b>		
<b>2021-03</b>	Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports	System Office
<b>2021-39</b>	Assign Contract Administrator Responsibilities in Writing	Rappahannock Community College
<b>Student Financial Assistance</b>		
<b>2021-11</b>	Reconcile Federal Assistance Programs	Northern Virginia Community College
<b>2021-12</b>	Improve Notification Process for Federal Loan Awards to Students	Northern Virginia Community College
<b>2021-13</b>	Improve Compliance over Enrollment Reporting	Northern Virginia Community College
<b>2021-18</b>	Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System	Tidewater Community College
<b>2021-40</b>	Strengthen the Schedule of Expenditures of Federal Awards Process	John Tyler Community College
<b>2021-41</b>	Ensure an Accurate FISAP is Submitted to Department of Education	John Tyler Community College
<b>2021-42</b>	Improve Reporting to the Common Origination and Disbursement System	John Tyler Community College
<b>2021-43</b>	Promptly Return Unclaimed Aid to Department of Education	John Tyler Community College
<b>2021-44</b>	Properly Perform Return of Title IV Calculations	John Tyler Community College
<b>2021-45</b>	Improve Federal Direct Loan Reconciliations	John Tyler Community College
<b>2021-46</b>	Perform an Evaluation of Student Information System Access Roles for Financial Aid Office Employees	John Tyler Community College

## STATUS OF PRIOR FINDINGS

Entity/Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
<b>System Office</b>			
2020-01	Monitor Statewide WIOA Grant Program According to Policy	Deferred**	N/A
2020-02	Ensure Consistency in the Handling and Financial Reporting of Dual Enrollment	Status Update*	2021-04
2020-03	Address Inconsistencies in Employee Personnel Records	Status Update*	2021-05
2020-04	Continue to Develop Reference Tools for the Student System	Resolved***	N/A
2020-05	Continue to Develop Comprehensive Policies and Procedures for Reviewing and Reacting to System and Organization Controls Reports	Status Update*	2021-03
2020-06	Ensure Inter-Agency Capital Asset Transfers are Accurately Reported	Resolved***	N/A
2020-07	Continue Improving Operating System Security	Resolved***	N/A
2020-08	Perform Certifications for Commonwealth's Retirement Benefits System	Deferred**	N/A
2020-09	Improve Controls Over Access to Commonwealth's Human Resource System	Deferred**	N/A
2020-10	Continue to Improve Procedures for Employee Separation	Deferred**	N/A
2020-11	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Resolved***	N/A
<b>Shared Services Center</b>			
2020-12	Ensure System Access is Granted in Accordance with the Principle of Least Privilege	Resolved***	N/A
2020-13	Improve the Effectiveness of the Annual Systems Access Certification	Status Update*	2021-08
2020-14	Continue to Improve Information Available to Community Colleges Related to Prepayments	Status Update*	2021-07
<b>Northern Virginia Community College</b>			
2020-15	Develop Procedures for Reviewing and Reacting to System and Organizational Controls Reports	Resolved***	N/A
2020-16	Continue to Strengthen Interdepartmental Communications Related to Terminated Employees	Status Update*	2021-10
2020-17	Continue Implementing Commonwealth and Internal Requirements for the Stewardship of Capital Assets	Resolved***	N/A
<b>Tidewater Community College</b>			
2020-18	Continue to Strengthen Communication and Procedures Related to Terminated Employees	Status Update*	2021-16
2020-19	Continue to Strengthen Internal Controls Over Physical Inventory	Status Update*	2021-15
2020-20	Develop a Contingency Plan to Maintain Proper Separation of Duties	Resolved***	N/A
2020-21	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Repeat	2021-17
<b>Virginia Western Community College</b>			
2020-22	Improve Capital Asset Inventory and Tracking	Deferred**	N/A
2020-23	Strengthen Interdepartmental Communications Related to Terminated Part-Time Employee	Deferred**	N/A
<b>Thomas Nelson Community College</b>			
2020-24	Strengthen Internal Controls over Journal Entries	Deferred**	N/A
2020-25	Perform Complete Physical Inventory	Deferred**	N/A
2020-26	Ensure Revenue is Recorded Timely	Deferred**	N/A
2020-27	Deactivate Access to Commonwealth's Purchasing System Timely	Deferred**	N/A
2020-28	Perform Annual Access Review of the Commonwealth Human Resource System	Deferred**	N/A
<b>Thomas Nelson Community College - Student Financial Aid</b>			
2020-29	Reconcile Federal Aid Programs Timely	Deferred**	N/A
2020-30	Promptly Return Unclaimed Aid to Department of Education	Deferred**	N/A
2020-31	Report Student Status Changes Accurately and Timely to National Student Loan Data System	Deferred**	N/A
2020-32	Improve Notification Process for Federal Direct Loan Awards to Students	Deferred**	N/A
2020-33	Ensure an Accurate FISAP is Submitted to Department of Education	Deferred**	N/A
2020-34	Properly Complete Exit Counseling for Direct Loan Borrowers	Deferred**	N/A
2020-35	Ensure Student Information System Roles are Assigned Properly	Deferred**	N/A
2020-36	Improve Direct Loan Quality Assurance Program	Deferred**	N/A
2020-37	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred**	N/A
<b>Southside Virginia Community College</b>			
2020-38	Seek Clarification and Apply Policies Consistent with Expectations	Deferred**	N/A
2020-39	Continue to Improve Controls over Terminated Employees	Deferred**	N/A
2020-40	Continue to Improve Capital Asset Inventory and Tracking	Deferred**	N/A
<b>Danville Community College - Student Financial Aid</b>			
2020-41	Reconcile Federal Aid Programs Timely	Deferred**	N/A
2020-42	Promptly Disburse Credit Balances to Students	Deferred**	N/A
2020-43	Properly Manage Return of Title IV Funds	Deferred**	N/A
2020-44	Promptly Return Unclaimed Aid to Department of Education	Deferred**	N/A
2020-45	Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System	Deferred**	N/A
2020-46	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Deferred**	N/A
2020-47	Improve Direct Loan Quality Assurance Program	Deferred**	N/A
2020-48	Improve Notification Process for Federal Direct Loan Awards to Students	Deferred**	N/A
2020-49	Improve Reporting to the Common Origination and Disbursement System	Deferred**	N/A
2020-50	Ensure Student Information System Roles as Assigned Properly	Deferred**	N/A
2020-51	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred**	N/A
<b>Southwest Virginia Community College - Student Financial Aid</b>			

## STATUS OF PRIOR FINDINGS

Entity/Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
2020-52	Reconcile Federal Funds Timely	Deferred**	N/A
2020-53	Properly Manage Return of Title IV Funds	Deferred**	N/A
2020-54	Promptly Return Unclaimed Aid to Department of Education	Deferred**	N/A
2020-55	Ensure an Accurate FISAP is Submitted to Department of Education	Deferred**	N/A
2020-56	Ensure Student Status Changes are Reported Accurately and Timely	Deferred**	N/A
2020-57	Ensure Student System Roles as Assigned Properly	Deferred**	N/A
2020-58	Properly Complete Verification Prior to Disbursing Federal Financial Aid	Deferred**	N/A
2020-59	Improve Reporting to the Common Origination and Disbursement System	Deferred**	N/A
2020-60	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred**	N/A
<b>Mountain Empire Community College</b>			
2020-61	Improve Knowledge of Accounting System Roles and Update Policies as Needed	Deferred**	N/A
2020-62	Reconcile the Human Resource and Retirement Systems Before Confirming	Deferred**	N/A
2020-63	Communicate the Importance of Termination Procedures	Deferred**	N/A
<b>Wytheville Community College - Student Financial Aid</b>			
2020-64	Reconcile Federal Funds Timely	Deferred**	N/A
2020-65	Perform Federal Direct Loan Reconciliations Timely	Deferred**	N/A
2020-66	Promptly Return Unclaimed Aid to Department of Education	Deferred**	N/A
2020-67	Ensure Student Status Changes are Reported Accurately and Timely	Deferred**	N/A
2020-68	Ensure an Accurate FISAP is Submitted to Department of Education	Deferred**	N/A
2020-69	Enhance Notification for Borrowers that have not Completed Exit Counseling	Deferred**	N/A
2020-70	Ensure Student System Roles are Assigned Properly	Deferred**	N/A
2020-71	Improve Direct Loan Quality Assurance Program	Deferred**	N/A
2020-72	Improve Federal Direct Loan Borrower Notification Process	Deferred**	N/A
2020-73	Perform Risk Assessment as Required by the Gramm-Leach-Bliley Act	Deferred**	N/A
<b>John Tyler Community College</b>			
2019-15	Perform Capital Asset Inventory, Record Capital Assets Timely, and Reconcile Inventory Counts	Deferred**	N/A
2019-16	Perform Adequate Bank Reconciliations and Report Bank Balances Accurately	Deferred**	N/A
2019-17	Properly Document Discrepancies and Adhere to Policies Regarding Federal Aid Reconciliations	Deferred**	N/A
2019-18	Deactivate Access to the Commonwealth's Purchasing System Timely	Deferred**	N/A
<b>Blue Ridge Community College</b>			
2019-19	Improve Controls over Employee Terminations	Deferred**	N/A
<b>Blue Ridge Community College - Student Financial Aid</b>			
2019-20	Improve Enrollment Reporting Process	Deferred**	N/A
<b>Danville Community College</b>			
2019-21	Ensure Financial Functions Are Maintained During Turnover	Deferred**	N/A
2019-22	Enforce Policies on Separation Checklists for Terminated Employees	Deferred**	N/A
2019-23	Retain Documentation as Required for Employment Eligibility Verification	Deferred**	N/A
<b>Wytheville Community College</b>			
2019-24	Improve Capital Asset Inventory and Tracking	Deferred**	N/A
2019-25	Perform Federal Aid Reconciliations Timely	Deferred**	N/A
2019-26	Ensure Revenue Journal Entries are Approved and Recorded Timely	Deferred**	N/A
2019-27	Properly Monitor Commission Contracts	Deferred**	N/A
2019-28	Improve Controls of System Access	Deferred**	N/A
2019-29	Improve Controls over Terminated Employees	Deferred**	N/A
<b>Dabney S. Lancaster Community College</b>			
2019-30	Ensure System Access is Removed Timely, and College Property is Returned for Terminated Employees	Deferred**	N/A
2019-31	Complete Employment Eligibility Forms Properly	Deferred**	N/A
2019-32	Confirm Retirement Contributions within the Required Timeframe	Deferred**	N/A
2019-33	Properly Monitor Commission Contracts	Deferred**	N/A
<b>Lord Fairfax Community College</b>			
2018-10	Ensure Staff Transmits Sensitive Information Securely	Resolved***	N/A
2018-11, 2018-13	Continue to Ensure Proper Capitalization and Retention of Records for Capital Assets	Repeat	2021-27
2018-12	Ensure Adequate Staffing to Provide for Proper Separation of Duties Over the Cash Collection Process	Resolved***	N/A
2018-14	Continue to Improve System Access Controls	Repeat	2021-25
2018-15	Review Leave Liability Report for Accuracy	Resolved***	N/A
2018-16	Improve Documentation for Small Purchase Charge Cards	Resolved***	N/A
2018-17	Identify and Report Leases to Support the System's Financial Statements	Resolved***	N/A
2018-18	Develop Policies and Procedures for Adjunct Employees without an Active Contract	Resolved***	N/A
2018-19	Maintain Proper Documentation for System Access Termination	Resolved***	N/A
2018-20	Perform Federal Aid Program Reconciliations	Repeat	2021-26
2018-21	Identify and Report Prepaid Expenses	Resolved***	N/A



## STATUS OF PRIOR FINDINGS

Entity/Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
2018-22	Assign Responsibility for Properly Coding	Resolved***	N/A
2018-23	Develop Policies and Procedures to Address Exceptions between the Commonwealth's Payroll and Human Resource Systems	Resolved***	N/A
<b>Piedmont Virginia Community College</b>			
2018-24	Improve Controls over Capital Asset Inventory	Deferred**	N/A
2018-25	Remove System Access When Employees No Longer Need Access	Deferred**	N/A
2018-26	Properly Monitor Grant Programs to Ensure Proper Accounting and Compliance for Accounts Receivable	Deferred**	N/A
2018-27	Properly Consider if the Costs Associated with Putting an Asset into Service Should be Capitalized	Deferred**	N/A
2018-28	Ensure Payroll Reconciliation is Performed as Required	Deferred**	N/A
2018-29	Perform and Document Retirement Benefit System Reconciliations	Deferred**	N/A
2018-30	Confirm Retirement Contributions within the Required Timeframe	Deferred**	N/A
2018-31	Properly Accrue Prepaid Expenses	Deferred**	N/A
<b>Piedmont Virginia Community College - Student Financial Aid</b>			
2018-32	Return Unearned Title IV Funds Timely	Deferred**	N/A
2018-33	Perform Accurate Return of Title IV Calculations	Deferred**	N/A
2018-34	Reconcile Federal Aid Programs Timely	Deferred**	N/A
2018-35	Improve Reporting to National Student Loan Data System	Deferred**	N/A
<b>Northern Virginia Community College - Student Financial Aid</b>			
2018-42	Improve Compliance over Enrollment Reporting	Repeat	2021-13
<b>Patrick Henry Community College</b>			
2018-43	Improve the Management of Critical System Access	Deferred**	N/A
2018-44	Improve Fixed Asset Inventory Procedures and Tracking of Fixed Assets	Deferred**	N/A
2018-45	Ensure Revenue Generating Contracts Are Current and Properly Monitored	Deferred**	N/A
2018-46	Ensure Human Resources Department Corrects Inaccurate Employee Leave Balances	Deferred**	N/A
2018-47	Comply with Employment Eligibility Requirements	Deferred**	N/A
<b>Germanna Community College</b>			
2018-48	Develop and Document Policies and Procedures for Operationalizing Payroll and Human Resource Functions	Deferred**	N/A
2018-49	Remove System Access No Longer Necessary to Perform Job Duties	Deferred**	N/A
2018-50	Improve Payroll Document Retention	Deferred**	N/A
2018-51	Develop and Implement Policies and Procedures for Employee Terminations	Deferred**	N/A
2018-52	Document Justification for Prepaying Expenses	Deferred**	N/A
<b>New River Community College</b>			
2018-53	Improve Critical System Access Monitoring	Resolved***	N/A
2018-54	Improve Capital Asset Inventory and Tracking	Resolved***	N/A
2018-55	Ensure Contracts Are Properly Monitored	Resolved***	N/A
2018-56	Confirm Virginia Retirement System Snapshot Timely	Resolved***	N/A
2018-57	Properly Report Accruals	Resolved***	N/A
<b>Tidewater Community College - Student Financial Aid</b>			
2018-62	Report Student Enrollment Changes Accurately and Timely to National Student Loan Data System	Repeat	2021-18
<b>Rappahannock Community College</b>			
2018-63	Ensure Revenue is Recorded Timely and Accurately	Resolved***	N/A
2018-64	Update Policies and Procedures for Cash Management Requirements	Repeat	2021-35
2018-65	Assign Contract Administrator Responsibilities in Writing	Repeat	2021-39
2018-66	Properly Document Federal Aid Reconciliations	Resolved***	N/A
<b>Central Virginia Community College - Student Financial Aid</b>			
2018-67	Reconcile Financial Aid Activity to Federal Systems	Deferred**	N/A
2018-68	Improve Reporting to National Student Loan Data System	Deferred**	N/A
2018-69	Properly Process Title IV Refund Calculations	Deferred**	N/A
2018-70	Return Unclaimed Aid to Department of Education	Deferred**	N/A
2018-71	Improve Cash Management Procedures	Deferred**	N/A
2018-72	Perform Monthly Bank Reconciliations	Deferred**	N/A
2018-73	Improve Reporting to the Common Origination and Disbursement System	Deferred**	N/A
<b>Virginia Western Community College - Student Financial Aid</b>			
2018-74	Improve Notification Process for Federal Direct Loan Awards to Students	Deferred**	N/A
2018-75	Reconcile Federal Aid Programs Timely	Deferred**	N/A
2018-76	Resolve Federal Department of Education Findings	Deferred**	N/A
<b>J. Sargeant Reynolds Community College - Student Financial Aid</b>			
2018-77	Improve Direct Loan Reconciliations	Deferred**	N/A
2018-78	Resolve Federal Department of Education Findings	Deferred**	N/A
<b>Paul D. Camp Community College - Student Financial Aid</b>			
2018-79	Improve Reporting to National Student Loan Data System	Deferred**	N/A
<b>Dabney S. Lancaster Community College - Student Financial Aid</b>			

# STATUS OF PRIOR FINDINGS

Entity/Report ID Number	Finding Title	Follow-up Disposition	Current Year Report ID Number
2018-80	Improve Reporting to National Student Loan Data System	Deferred**	N/A
<b>Paul D. Camp Community College</b>			
2017-12	Ensure Terminated Employees are Properly Classified in the Payroll System	Deferred**	N/A
2017-14	Deactivate Terminated User Access Timely	Deferred**	N/A
2017-18	Report Allowance for Doubtful Accounts Quarterly	Deferred**	N/A
2017-19	Improve Revenue Contract Procurement and Management	Deferred**	N/A
2017-20	Ensure Leave Liability Report is Complete	Deferred**	N/A
2017-21	Implement Proper Procedures for Classifying Missing Assets	Deferred**	N/A
2017-22	Establish Chain of Custody Protocol for Critical Documentation	Deferred**	N/A
<b>Eastern Shore Community College</b>			
2017-32	Improve Retirement System Reconciliation Process	Deferred**	N/A
2017-33	Improve Process over Terminated Employees	Deferred**	N/A
2017-34	Improve Human Resources Data Reporting Procedures	Deferred**	N/A
2017-35	Improve Documentation of Policies and Procedures	Deferred**	N/A
2017-36	Improve Capital Asset Controls	Deferred**	N/A
2017-37	Properly Approve P-3 Forms	Deferred**	N/A
2017-38	Properly Maintain Faculty Records	Deferred**	N/A
<b>J. Sargeant Reynolds Community College</b>			
2017-48	Improve Procedures around Petty Cash	Resolved***	N/A
2017-49	Strengthen Communications and Procedures Related to Terminated Employees	Repeat	2021-19
<b>Rappahannock Community College - Student Financial Aid</b>			
2017-50	Improve Reporting to National Student Loan Data System	Deferred**	N/A
2017-51	Properly Perform Title IV Calculations	Deferred**	N/A
2017-52	Identify and Address Reconciling Items Timely	Deferred**	N/A
<b>Eastern Shore Community College - Student Financial Aid</b>			
2017-53	Improve Reporting to National Student Loan Data System	Deferred**	N/A
<b>Central Virginia Community College</b>			
2016-N/A****	Improve Capital Asset Inventory and Tracking - Repeat	Deferred**	N/A
2016-N/A****	Properly Remit Unclaimed Property - Repeat	Deferred**	N/A
<b>Southwest Virginia Community College</b>			
2015-N/A****	Ensure Proper Monitoring of Auxiliary Contracts	Deferred**	N/A
2015-N/A****	Improve Capital Asset Inventory and Tracking	Deferred**	N/A
<b>Virginia Highlands Community College</b>			
2015-N/A****	Improve Documentation of Policies and Procedures	Deferred**	N/A
2015-N/A****	Assign System Access Based on Least Privilege	Deferred**	N/A

Note: Prior findings for System Office and Shared Services are listed first and second, respectively, because of their leadership over and involvement with the colleges' financial operations. Prior findings for the colleges are then listed in order based on each college's relative financial size.

\* Status Update means prior year findings where corrective action is ongoing and include information on progress to date.

\*\* Deferred finding follow-up means that audit procedures were not performed as part of the current year audit but are planned for the future. Currently, Northern Virginia Community College, Tidewater Community College, System Office, and Shared Services Center can expect to have some follow-up procedures in each audit year.

\*\*\* Resolved means that audit procedures including test work procedures indicated that the issue was adequately corrected by the entity in the current fiscal year.

\*\*\*\* Fiscal Year - N/A means that in those prior year reports, the findings have no ID number to reference; please use the title when referring to the correct fiscal year report.

## ABBREVIATIONS

Abbreviations/Acronyms	Definition
<b>Business Office</b>	Employees collectively responsible for: financial reporting, payroll, procurement, capital assets, human resources, and/or student financial assistance
<b>Cancelled Records Report</b>	Virginia Retirement System's ER Centralized State Systems Cancelled Records Report
<b>CAPP</b>	Commonwealth Accounting Policies and Procedures
<b>CFR</b>	United States Code of Federal Regulations
<b>COD System</b>	Common Origination and Disbursement System
<b>Colleges</b>	Community colleges
<b>CUECs</b>	Complementary user entity controls
<b>DHRM</b>	Department of Human Resource Management
<b>Education</b>	United States Department of Education
<b>EFT</b>	Electronic Funds Transfer
<b>FISAP</b>	Fiscal Operations Report and Application to Participate
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GLBA</b>	Gramm-Leach-Bliley Act
<b>Handbook</b>	Federal Student Financial Aid Handbook
<b>Homeland Security</b>	United States Department of Homeland Security
<b>Human Resources</b>	Human resources department for each individual college
<b>ISO</b>	International Standards Organization
<b>IT</b>	Information Technology
<b>John Tyler</b>	John Tyler Community College
<b>Lord Fairfax</b>	Lord Fairfax Community College
<b>New River</b>	New River Community College
<b>Northern Virginia</b>	Northern Virginia Community College
<b>NSLDS</b>	National Student Loan Data System
<b>OIS</b>	Office of Information Systems
<b>QCR</b>	Quality Control Review
<b>Rappahannock</b>	Rappahannock Community College
<b>Retirement System</b>	Virginia Retirement System
<b>Reynolds</b>	J. Sargeant Reynolds Community College
<b>SAS</b>	School Account Statement
<b>SEFA</b>	Schedule of Expenditures of Federal Awards
<b>Shared Services</b>	Shared Services Center
<b>SOC</b>	System and Organization Controls
<b>System</b>	Virginia Community College System
<b>System Office</b>	Virginia Community College System Office

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**ABBREVIATIONS**

<b>System's Security Standard</b>	System's Information Technology Security Standard, based on ISO 27002:2013
<b>Tidewater</b>	Tidewater Community College
<b>Title IV</b>	Title IV of the Higher Education Act of 1965
<b>Treasury</b>	Commonwealth's Department of the Treasury
<b>Unclaimed Property</b>	Department of Treasury's Division of Unclaimed Property





September 13, 2022

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

Dear Ms. Henshaw:

We are providing this letter in response to your report on the audit of the financial records of the Virginia Community College System for the fiscal year ended June 30, 2021.

We confirm that we have received the findings and recommendations and have prepared a corrective action plan that will be submitted to the Department of Accounts.

If you have any questions, please contact Craig Herndon, VCCS Senior Vice Chancellor for Administration, Finance and Technology, at (8804) 819-4782.

Sincerely,

A handwritten signature in black ink that reads "Sharon Morrissey". The signature is fluid and cursive, with the first name "Sharon" being more prominent than the last name "Morrissey".

Sharon Morrissey  
Interim Chancellor

cc: Dr. Craig Herndon

## STATE BOARD FOR COMMUNITY COLLEGES

As of June 30, 2021

Edward Dalrymple, Jr., Chair  
Nathanial L. Bishop, Vice-Chair

Dana Beckton	Darius Johnson
Adnan Bokhari	Ashby Kilgore
David E. Broder	Peggy Layne
Brenda Calderon	R J Narang
Darren Conner	Richard S. Reynolds, III
Douglas M. Garcia	Eleanor B. Saslaw
Terri N. Thompson	

## COMMUNITY COLLEGE CHANCELLOR AND PRESIDENTS

As of June 30, 2021

Dr. Glenn DuBois  
Chancellor, Virginia Community College System

Blue Ridge Community College	Dr. Laura Leatherwood
Central Virginia Community College	Dr. John Capps
Dabney S. Lancaster Community College	Dr. John J. Rainone
Danville Community College (Interim President)	Dr. Muriel Mickles
Eastern Shore Community College	Dr. James M. Shaeffer
Germanna Community College	Dr. Janet Gullickson
J. Sargeant Reynolds Community College	Dr. Paula P. Pando
John Tyler Community College	Dr. Edward "Ted" Raspiller
Lord Fairfax Community College	Dr. Kimberly Blosser
Mountain Empire Community College	Dr. Kristen Westover
New River Community College	Dr. Patricia B. Huber
Northern Virginia Community College	Dr. Anne M. Kress
Patrick Henry Community College	Dr. Angeline D. Godwin
Paul D. Camp Community College (Interim President)	Dr. Corey McCray
Piedmont Virginia Community College	Dr. Frank Friedman
Rappahannock Community College	Dr. Shannon Kennedy
Southside Virginia Community College	Dr. Quentin Johnson
Southwest Virginia Community College	Dr. Thomas Wright
Thomas Nelson Community College	Dr. Towuanna Porter Brannon
Tidewater Community College	Dr. Marcia Conston
Virginia Highlands Community College	Dr. Adam C. Hutchison
Virginia Western Community College	Dr. Robert H. Sandel
Wytheville Community College	Dr. Dean Sprinkle