



VIRGINIA COMMONWEALTH UNIVERSITY

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We have audited the basic financial statements of Virginia Commonwealth University (the University) as of and for the year ended June 30, 2020, and issued our report thereon, dated December 10, 2020. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.vcu.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- an internal control finding requiring management's attention; however, we do not consider it to be a material weaknesses; and
- no 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 Research and Development Programs Cluster and Education Stabilization Fund for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Compliance Supplement; and found no internal control findings requiring management's attention or instances of noncompliance in relation to this testing.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve Timeliness of the Commonwealth's Retirement Benefits System Reconciliation Process

Type: Internal Control

Severity: Significant Deficiency

Repeat: No

Virginia Commonwealth University (University) is not performing reconciliations of the Commonwealth's retirement benefits system timely. During fiscal year 2020, the University confirmed six out of 12 (50%) of the Commonwealth's retirement benefits system snapshots late, and 11 out of 12 (92%) payments were received by the Virginia Retirement System (VRS) after the due date. The VRS Employer Manual states that at the end of each month, the employer is required to complete the contribution confirmation process by generating and confirming a snapshot. All employers are required to report employee activity for the month to VRS by the 10th of the following month. In addition, defined benefit retirement contributions and other ancillary benefits should be paid immediately following the confirmation and must be received by the 10th of the following month.

Confirming the snapshot late delays benefits processing and can result in errors due to incorrect or incomplete information. Additionally, according to the VRS Employer Manual and the Code of Virginia § 51.1-146, employers who do not confirm the snapshot or pay contributions or insurance premiums on time may be assessed a penalty of five percent of the amount due, plus interest at the rate of one percent per month until the report is received, and the payment is made.

To avoid penalties and ensure compliance with the VRS Employer Manual, the University should reinforce to both the Payroll Department and Benefits Department the guidance and deadlines set in place by the VRS Employer Manual. In addition, the Payroll Department and Benefits Department should improve oversight of the employees completing this process and should consider whether their current process is the most effective for completing the confirmation and payment on time.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 10, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Commonwealth University

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia Commonwealth University** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 10, 2020. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the University, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 a deficiency in internal control entitled "Improve Timeliness of the Commonwealth's Retirement Benefits System Reconciliation Process," which is described in the section titled "Internal Control Findings and Recommendations" that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The University's Response to Findings

We discussed this report with management at an exit conference held on December 18, 2020. The University's response to the finding identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

JMR/clj



January 4, 2021

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

Patricia Perkins
AVP of Finance
912 West Franklin Street
Box 842035
Richmond, Virginia 23284-2512
804 828-5474

Dear Ms. Mavredes:

We have reviewed the audit finding and recommendations resulting from the fiscal year 2020 audit by the Auditor of Public Accounts (APA) and discussed during the exit conference.

Virginia Commonwealth University acknowledges and concurs with the audit finding. The following contains the APA finding and management's response to the concerns and issues raised.

Current year finding of the Auditor:

1. Improve Timeliness of the Commonwealth's Retirement Benefits System Reconciliation Process

Virginia Commonwealth University (University) is not performing reconciliations of the Commonwealth's retirement benefits system timely. During fiscal year 2020, the University confirmed six out of 12 (50%) of the Commonwealth's retirement benefits system snapshots late, and 11 out of 12 (92%) payments were received by the Virginia Retirement System (VRS) after the due date. The VRS Employer Manual states that at the end of each month, the employer is required to complete the contribution confirmation process by generating and confirming a snapshot. All employers are required to report employee activity for the month to VRS by the 10th of the following month. In addition, defined benefit retirement contributions and other ancillary benefits should be paid immediately following the confirmation and must be received by the 10th of the following month.

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To avoid penalties and ensure compliance with the VRS Employer Manual, the University should reinforce to both the Payroll Department and Benefits Department the guidance and deadlines set in place by the VRS Employer Manual. In addition, the Payroll Department and Benefits Department should improve oversight of the employees completing this

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Ms. Martha Mavredes, CPA

January 4, 2021

process and should consider whether their current process is the most effective for completing the confirmation and payment on time.

VCU Response:

VCU updated their procedures to ensure that the benefit reconciliations and payments are completed and submitted earlier to allow adequate time for processing. All reconciliations will be reviewed with the benefit specialist by the 5th day of the following month.

VCU has historically initiated benefit payments on or before the due date, however, that did not allow adequate time for the deposits to be received by the due date. To correct this, VCU will now initiate payments on the 5th day of the following month so the deposits will be received by the VRS on or before the 10th day of the following month.

Responsible Person: Veronica King, Executive Director of Payroll and Tax Services

Completion Date: January 31, 2021

Sincerely,

DocuSigned by:

Patricia Perkins

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Patricia Perkins

Associate VP of Finance

Virginia Commonwealth University

VIRGINIA COMMONWEALTH UNIVERSITY

As of June 30, 2020

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